EXTRACTED FROM THE 2012-2013 ANNUAL REPORT AND SUSTAINABLE DEVELOPMENT REPORT

FINANCIAL PERFORMANCE

Investissement Québec

GROWING JUST GOT EASIER

FINANCIAL REVIEW

Investissement Québec (the Corporation) was created on April 1, 2011 as a result of an amalgamation of former Investissement Québec with Société générale de financement du Québec (SGF). Most of the assets and liabilities of former Investissement Québec were transferred to the Economic Development Fund (EDF) as of April 1, 2011. The year ended March 31, 2013 was the second year of operation for Investissement Québec, during which it substantially improved its financial performance.

The Corporation's management has prepared the consolidated financial statements for the year ended March 31, 2013 in accordance with IFRS.

To provide a comprehensive understanding of its financial performance, Investissement Québec has prepared supplementary condensed statements of income, financial position and cash flows.

CONDENSED INCOME (at equity value)

(in millions of dollars)	2013	2012
Revenues		
Interest income and guarantee fees	81	91
Investment income	28	60
Gain on disposal of investments and other	161	81
Management fees	26	30
	296	262
Expenses		
Losses on investments	(118)	(127)
Administrative expenses	(77)	(80)
	(195)	(207)
NET INCOME	101	55
Return on equity	4.06%	2.44%

Investissement Québec generated net income amounting to $101 million in 2012-2013, up sharply from $55 million for the previous fiscal year. Return on equity stood at 4.06% compared with 2.44% last year.

INTEREST INCOME AND GUARANTEE FEES

Interest income and guarantee fees totalled $81 million compared with $91 million a year earlier. The decline resulted primarily from a number of major loans that were prepaid.

INVESTMENT INCOME

Investment income amounted to $28 million, representing the share of net income of subsidiaries, associates and joint ventures. The decline relative to the previous year stemmed mainly from a lower contribution from Albecour inc. owing to the reduction in its interest in Aluminerie Alouette and lower aluminum prices, as well as narrower petrochemical and forest product margins.

GAINS ON DISPOSAL OF INVESTMENTS AND OTHER

Gains on disposal of investments and other totalled $161 million, including a gain on the sale by Albecour inc. of half of its share in Aluminerie Alouette and gains on the sale of shares of Miranda Technologies, Ubisoft and Paladin Labs.

MANAGEMENT FEES

Management fees amounting to $26 million, determined by government decree, represent the sums paid by the EDF to the Corporation for management services provided to the EDF.

LOSSES ON INVESTMENTS

Losses on investments stood at $118 million, consisting mainly of provisions for loan losses and loan guarantees as well as impairment losses on listed securities.

ADMINISTRATIVE EXPENSES

Investissement Québec's administrative expenses amounted to $77 million, below the $82 million target set out in the Corporation's strategic plan for the year ended March 31, 2013. The additional savings were realized primarily on salaries.

When the amalgamation of former Investissement Québec and SGF was announced in September 2010, a three-year savings target of $10 million–$15 million was set, compared with pre-amalgamation combined expenses of $97 million.

Actual savings totalled $20 million in the Corporation's second year of operation, significantly exceeding the $15-million target for a three-year period.

Furthermore, Investissement Québec met the terms of Bill 100 for reductions in certain expenses.

CONDENSED FINANCIAL POSITION (at equity value)

(in millions of dollars)	March 31, 2013	March 31, 2012
Assets		
Cash and cash equivalents	596	582
Investments	2,440	2,297
Other assets	102	131
TOTAL ASSETS	3,138	3,010
Liabilities and equity		
Advances from the Government of Québec	415	369
Guarantee liability	127	133
Other liabilities	62	57
	604	559
Equity		
Share capital	3,073	3,073
Deficit	(677)	(776)
Accumulated other comprehensive income	138	154
	2,534	2,451
TOTAL LIABILITIES AND EQUITY	3,138	3,010

The Corporation's investments totalled $2,440 million as at March 31, 2013, up $143 million from March 31, 2012.

Investments comprised the following:

(in millions of dollars)	March 31, 2013	March 31, 2012
Loans	717	657
Unlisted shares		
Subsidiaries	501	539
Joint ventures	326	307
Associates	128	164
Companies at cost	78	70
	1,033	1,080
Listed shares	377	275
Venture capital	313	285
INVESTMENTS	2,440	2,297

As at March 31, 2013, loans amounted to $717 million, up $60 million from March 31, 2012, due to a higher volume of small and medium-sized business (SMB) loans.

The value of listed shares totalled $377 million, up $102 million from the previous fiscal year following new investments.

In addition to the investments included in assets, the Corporation had $414 million in loan guarantees as at March 31, 2013 compared with $422 million as at March 31, 2012.

Investissement Québec reported equity totalling $2,534 million as at March 31, 2013, an increase of $83 million since March 31, 2012 attributable to net income of $101 million, partially offset by a decline in accumulated other comprehensive income.

CONDENSED CASH FLOWS

(in millions of dollars)	2013	2012
Sources of funds		
Disposals of investments	263	48
Collections on loans	335	222
Interest, dividends and fees	160	139
Advances and recoveries from government	54	92
	812	501
Uses of funds		
Funding – investments	(706)	(364)
Administrative expenses	(77)	(80)
Other	(15)	(22)
	(798)	(466)
Issuance of share capital	–	400
Increase in cash and cash equivalents	14	435
Cash and cash equivalents, beginning of year	582	147
Cash and cash equivalents, end of year	596	582

Cash and cash equivalents for the year ended March 31, 2013 rose $14 million to $596 million. As a result, the Corporation generated sufficient liquidity to cover its funding activities. Cash inflows consisted primarily of $263 million from the disposal of investments, including $180 million from the sale by Albecour inc. of half of its share in Aluminerie Alouette, and of $335 million in loan repayments, as well as $160 million from interest, dividends and fees collected.

The Corporation used these inflows to fund investments totalling $706 million and cover $77 million in administrative expenses.

Funded investments were primarily as follows:

(in millions of dollars)	2013	2012
Loans	375	228
Interests	266	86
Venture capital	65	50
	706	364

Loan disbursements for the year amounted to $375 million, up $147 million from the previous fiscal year, primarily as a result of SMB loans. The rise in interests held resulted from funding investments in a greater number of companies than in the previous fiscal year.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT

To the Minister of Finance and the Economy

The consolidated financial statements of Investissement Québec (the Corporation) have been prepared by management, who is responsible for their preparation and presentation, including making estimates and important judgments. This responsibility also includes selecting appropriate accounting policies that are in accordance with International Financial Reporting Standards (IFRS). The financial information provided elsewhere in the annual report is consistent with the information provided in the consolidated financial statements.

To meet its obligations, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are correctly recorded in the desired time, are duly approved, and allow for the preparation of reliable financial statements.

The Corporation recognizes that it is responsible for managing its business in compliance with its governing laws and regulations.

The Board of Directors oversees the manner in which management discharges its financial reporting responsibilities and approves the consolidated financial statements. It is assisted in its responsibilities by the Audit Committee, whose members are not members of management. This committee meets with management and the Corporation's independent auditors, reviews the consolidated financial statements and recommends their approval to the Board.

Deloitte s.e.n.c.r.l. and the Auditor General of Québec have audited the Corporation's consolidated financial statements in accordance with Canadian generally accepted auditing standards, and the auditors' report states the nature and scope of this audit and provides the auditors' opinion. The auditors may, without restriction, meet with the Audit Committee to discuss any aspect of their audit.

Jacques Daoust
President and Chief Executive Officer

Jean-Jacques Carrier, CPA, CA
Senior Vice-President and Chief Financial and Risk Officer

Québec City, May 27, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Investissement Québec

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Investissement Québec, which comprise the Consolidated Statement of Financial Position as at March 31, 2013, the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information included in the accompanying notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Investissement Québec as at March 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the *Auditor General Act* (R.S.Q., c. V-05.01), we report that, in our opinion, these standards have been applied on a basis consistent with that of the preceding year.

Michel Samson, CPA auditor, CA

Michel Samson, CPA auditor, CA
The Acting Auditor General of Québec

Québec City, May 27, 2013

Deloitte s.e.n.c.

[1]CPA auditor, CA, public accountancy permit no. A118581

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31 (amounts are in thousands of Canadian dollars)

	2013	2012
Revenues	456,296	479,907
Operating expenses		
Cost of sales	407,737	411,776
General expenses	49,137	40,267
	456,874	452,043
Share of net income of equity-accounted entities (Note 20)	14,344	34,144
Income from continuing operations	13,766	62,008
Financial revenues		
Investment income (Note 6)	199,284	210,478
Benefits conferred by immigrant investors	115,461	109,095
Net change in investments at fair value through profit or loss (Note 6)	(6,932)	(17,859)
Net gains on investments and other	153,522	74,540
Other financial revenues (Note 6)	21,282	15,930
	482,617	392,184
Financial expenses (Note 7)		
Expenses related to Immigrant Investors activities	217,497	217,636
Impairment losses on investments	120,525	114,163
Other financial expenses	4,278	14,752
	342,300	346,551
Income from the portfolio	140,317	45,633
Management fees – Economic Development Fund (Note 8)	26,500	29,500
Administrative expenses	(77,288)	(79,660)
Operating income from continuing operations	103,295	57,481
Loss from discontinued operations (Note 9)	(2,051)	(2,890)
NET INCOME	101,244	54,591

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended March 31 (amounts are in thousands of Canadian dollars)

	2013	2012
NET INCOME	**101,244**	54,591
Other comprehensive income (loss)		
Available for sale financial assets		
Net change in fair value of available for sale financial assets	**(22,337)**	(37,204)
Reclassification to net income of realized losses on available for-sale financial assets	**1,156**	21,695
	(21,181)	(15,509)
Cash flow hedges		
Effective portion of changes in fair value of cash flow hedges	**1,241**	2,964
Net change in fair value of cash flow hedges transferred to net income	**(2,317)**	(1,347)
	(1,076)	1,617
Translation differences		
Exchange difference on translation of a subsidiary	**1,413**	5,189
Share of exchange differences from translation of equity accounted entities	**6,505**	8,883
Reclassification to net income of exchange differences from translation of equity accounted entities	**(1,617)**	–
	6,301	14,072
Actuarial gains and losses from defined benefit plans (Note 31)	**(2,832)**	(18,603)
Total other comprehensive loss	**(18,788)**	(18,423)
COMPREHENSIVE INCOME	**82,456**	36,168

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the years ended March 31 (amounts are in thousands of Canadian dollars)

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents (Note 10)	133,573	234,966
Temporary investments (Note 11)	533,231	393,398
Accounts receivable (Note 12)	86,108	81,270
Guarantee fees receivable (Note 13)	9,331	8,276
Inventories (Note 14)	56,570	58,683
Prepaid expenses	3,887	3,544
Notes receivable from the Government of Québec (Note 15)	541,677	671,333
Loans (Note 16)	112,132	79,753
Investments (Note 18)	111,587	92,485
Amounts recoverable from the Government of Québec (Note 40)	195	1,152
Other financial assets (Note 24)	–	142
Assets held for sale (Note 19)	–	115,188
	1,588,291	1,740,189
Guarantee fees receivable (Note 13)	20,737	18,525
Notes receivable from the Government of Québec (Note 15)	3,486,673	2,886,967
Loans (Note 16)	536,404	493,687
Investments (Note 18)	1,033,935	949,802
Interests in equity accounted entities (Note 20)	430,949	453,446
Amounts recoverable from the Government of Québec (Note 40)	44,864	63,068
Property, plant and equipment (Note 21)	167,277	174,861
Biological assets (Note 22)	70,819	65,649
Intangible assets (Note 23)	65,571	44,090
Other financial assets (Note 24)	532	3,797
	5,857,761	5,153,892
TOTAL ASSETS	7,446,052	6,894,081
LIABILITIES AND EQUITY		
Current liabilities		
Bank overdrafts	3,110	2,448
Bank loans	3,126	5,865
Accounts payable and accrued liabilities (Note 26)	72,344	84,712
Employee benefit liability	9,132	9,466
Current portion of long-term debt (Note 27)	528,521	663,717
Non interest bearing advances from the Government of Québec (Note 40)	415,317	368,817
Provisions (Note 29)	1,302	1,079
Liabilities related to assets held for sale (Note 19)	–	27,025
Other liabilities (Note 32)	157	
	1,033,009	1,163,119
Long-term debt (Note 27)	3,477,964	2,874,183
Deferred grants (Note 28)	14,118	14,019
Provisions (Note 29)	11,732	7,563
Guarantee liability (Note 30)	126,627	132,668
Defined benefit liability (Note 31)	34,771	29,674
Deferred benefits conferred by immigrant investors	208,670	215,270
Other liabilities (Note 32)	5,491	6,371
	4,912,382	4,442,867
Equity		
Share capital (Note 33)	3,073,340	3,073,340
Deficit	(677,288)	(775,700)
Accumulated other comprehensive income	137,618	153,574
	2,533,670	2,451,214
TOTAL LIABILITIES AND EQUITY	7,446,052	6,894,081

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board of Directors,

The Honourable Jean Bazin, Q.C., Ad. E. – Chair of the Board of Directors

Pierre Barnès, FCPA, FCGA – Chair of the Audit Committee

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended March 31 (amounts are in thousands of Canadian dollars)

			ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
	Share capital	Deficit	Available-for-sale financial assets	Cash flow hedge	Translation difference	Total equity
Balance as at April 1, 2011	2,673,340	(811,688)	186,369	(175)	(32,800)	2,015,046
Net income for the year	–	54,591	–	–	–	54,591
Other comprehensive income (loss)	–	(18,603)	(15,509)	1,617	14,072	(18,423)
	2,673,340	(775,700)	170,860	1,442	(18,728)	2,051,214
Issuance of share capital (Note 33)	400,000	–	–	–	–	400,000
Balance as at March 31, 2012	**3,073,340**	**(775,700)**	**170,860**	**1,442**	**(18,728)**	**2,451,214**
Net income for the year	–	101,244	–	–	–	101,244
Other comprehensive income (loss)	–	(2,832)	(21,181)	(1,076)	6,301	(18,788)
Balance as at March 31, 2013	**3,073,340**	**(677,288)**	**149,679**	**366**	**(12,427)**	**2,533,670**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31 (amounts are in thousands of Canadian dollars)

	2013	2012
Cash flows related to operating activities		
Income from continuing operations	103,295	57,481
Adjustments for:		
Share of net income of equity-accounted entities	(14,344)	(34,144)
Amortization of property, plant and equipment and intangible assets (Notes 21, 23 and 28)	16,531	19,446
Impairment losses (reversals) and write-offs related to property, plant and equipment and intangible assets (Notes 21, 23 and 28)	2,516	
Investment income (Note 6)	(199,284)	(210,478)
Financial revenues	(9,255)	(8,507)
Financial expenses	2,645	13,111
Benefits conferred by immigrant investors	(115,461)	(109,095)
Net change in investments at fair value through profit or loss (Note 6)	6,932	17,859
Net gains on investments and other	(153,522)	(74,540)
Interest on notes from immigrant investors	107,809	113,882
Impairment losses on investments	120,525	114,163
Employee benefits	1,876	(2,919)
Net change in fair value of biological assets (Note 22)	(5,083)	248
Other items, net	(125)	(4,518)
	(134,945)	(108,011)
Dividends received	42,815	25,393
Interest received	196,583	156,090
Change in assets and liabilities from operating activities (Note 35)	(20,070)	(17,693)
Cash flows related to operating activities of continuing operations	84,383	55,779
Cash flows related to operating activities of discontinued operations	(218)	(253)
	84,165	55,526
Cash flows related to investing activities		
Net increase in temporary investments	(139,833)	(390,989)
Decrease in loans and guarantee fees receivable	309,795	270,724
Increase in loans	(367,093)	(202,409)
Decrease in notes receivable from the Government of Québec	549,913	432,399
Increase in notes receivable from the Government of Québec	(1,046,739)	(785,264)
Acquisitions of investments and interests in equity-accounted entities	(380,106)	(238,433)
Disposals of investments and interests in equity-accounted entities	411,705	149,319
Decrease in amounts recoverable from government	7,553	47,052
Business acquisitions	–	(7,717)
Additions to property, plant and equipment and intangible assets	(34,731)	(40,000)
Other investing activities	1,211	3,709
Cash flows related to investing activities of continuing operations	(688,325)	(761,609)
Cash flows related to investing activities of discontinued operations	(1,741)	(2,472)
	(690,066)	(764,081)
Cash flows related to financing activities		
Bank loans	(2,729)	4,655
Increase in long-term debt	1,155,600	877,200
Repayment of long-term debt	(686,400)	(598,117)
Advances from the Government of Québec	46,500	45,000
Guarantee disbursements	(8,223)	(10,581)
Issuance of share capital	–	400,000
Interest paid	(57)	(12,194)
Other financing activities	670	732
Cash flows related to financing activities of continuing operations	505,361	706,695
Cash flows related to financing activities of discontinued operations	–	–
	505,361	706,695
Impact of exchange rate changes on cash and cash equivalents	(1,514)	(253)
Net decrease in cash and cash equivalents	(102,054)	(2,113)
Cash and cash equivalents, beginning of year	232,517	235,743
Cash and cash equivalents reclassified to assets held for sale (Note 19)	–	(1,113)
Cash and cash equivalents, end of year	130,463	232,517
Cash and cash equivalents from continuing operations include:		
Cash and cash equivalents (Note 10)	133,573	234,965
Bank overdrafts	(3,110)	(2,448)
	130,463	232,517

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended on March 31, 2013 and 2012
(tabular amounts are in thousands of Canadian dollars, unless otherwise indicated))

1. INCORPORATING LEGISLATION AND NATURE OF ACTIVITIES

As of April 1, 2011, the Société générale de financement du Québec (SGF) and Investissement Québec (IQ) were amalgamated under the *Act respecting the amalgamation of the Société générale de financement du Québec and Investissement Québec* (R.S.Q., c. 1-16.1), creating a new joint stock company incorporated under the name Investissement Québec (the Corporation). The Corporation's mission is to contribute to Québec's economic development in accordance with the economic policy set by the Government of Québec by stimulating investment and fostering employment in every region of Québec.

To achieve its mission, the Corporation supports the creation and development of businesses of all sizes through customized financial solutions and investments that are complementary to partner offers. In accordance with the mandate it receives from the government, the Corporation is also active in foreign investment prospecting and strategic financing operations. In pursuing its mission, the Corporation provides financial services.

The amalgamation took place on April 1, 2011 as a combination of businesses under common control, for which the net assets transferred were recorded at their net carrying amount on the same date. Under the Act, the balance of IQ's assets and liabilities as at April 1, 2011 that were not amalgamated into the Corporation were transferred to the Economic Development Fund (EDF), which was established within the Ministère du Développement Économique, de l'Innovation et de l'Exportation on April 1, 2011. The EDF's accounts are separate from any other accounts, including those of the Corporation. Pursuant to its mission, the Corporation administers financial assistance programs developed or designed by the government as well as mandates entrusted by the government. The government is responsible for these programs and mandates, which are part of the EDF, and for the EDF's revenues and losses. However, the Corporation is responsible towards the government for administering these programs and mandates. The Act specifies the amounts that make up the EDF and the amounts that can be paid out of it.

The Corporation's head office is located at 1200, route de l'Église, bureau 500, Québec, (Québec) Canada.

As a government-owned enterprise, Investissement Québec and its wholly owned subsidiaries are not subject to income tax in Québec or Canada.

2. BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

These consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Corporation's consolidated financial statements were approved for publication by the Board of Directors on May 27, 2013.

B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis, except for the following items of the Consolidated Statement of Financial Position:

- derivative financial instruments and separately recognized embedded derivatives, which are measured at fair value;
- financial instruments at fair value through profit or loss, which are measured at fair value;
- available-for-sale financial assets, which are measured at fair value;
- biological assets, which are measured at fair value less costs to sell;
- the defined benefit liability, which is the present value of the defined benefit obligation, net of the fair value of plan assets.

The specific accounting treatment of transactions is described under Significant Accounting Policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended on March 31, 2013 and 2012
(tabular amounts are in thousands of Canadian dollars, unless otherwise indicated)

C) FUNCTIONAL CURRENCY AND REPORTING CURRENCY

Financial information is reported in Canadian dollars, which is the Corporation's functional currency.

D) USE OF ESTIMATES

The following estimates and assumptions had the most significant impact on the amounts recognized in the consolidated financial statements:

i) Impairment of assets
As described in Note 20, the Corporation measured the recoverable amount of interests in associates that had shown objective evidence of impairment. The recoverable amount of those interests was determined based on the higher of value in use and fair value less costs to sell. Value in use was measured using significant estimates and assumptions, including the amount of future cash flows and applicable discount rates. Fair value less costs to sell is the amount obtainable from the sale of an asset or a cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the discount rate used to determine the present value of cash flows increased or decreased by 1% compared with management's estimates, the impairment loss recognized by the Corporation in net income as at March 31, 2013 would increase or decrease by $12,000,000.

ii) Fair value of financial instruments
When the fair value of financial instruments recognized at fair value in the Consolidated Statement of Financial Position cannot be derived from market prices, it is based on measurement techniques that rely on assumptions of observable inputs (Level 2) or inputs that can be corroborated by market data or unobservable market inputs (Level 3).

As at March 31, 2013, the fair value of Level 2 financial instruments was $223,513,000 and the fair value of Level 3 financial instruments was $376,835,000. The fair value of Level 2 financial liabilities amounted to $929,000. Note 38 describes the impact that would result from changing the inputs used in the measurement.

iii) Allowance for loan losses
The allowance for loan losses is estimated based on the value of the estimated future cash flows discounted at the initial effective interest rate of the loan. Future cash flows are estimated, among other factors, by using each borrower's credit rating and expected recovery of the underlying collateral. As at March 31, 2013, the allowance for loan losses stood at $73,232,000.

Actual results may differ from these estimates. These estimates and assumptions are periodically reviewed and, if adjustments are necessary, they are recognized prospectively as of the applicable period.

E) CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

i) Impairment of available-for-sale financial assets
To determine whether an available-for-sale financial asset shows objective evidence of impairment, management considers factors such as the duration and significance of the impairment loss in relation to the cost of the investment and the issuer's financial position. This analysis relies mainly on management's judgment.

If all declines in value below the cost of an investment had been considered significant and prolonged, the Corporation would have recognized additional impairment losses of $669,000 in net income as at March 31, 2013, an amount that would have been reclassified from accumulated other comprehensive income.

ii) Impairment of assets

At each reporting date, management determines whether property, plant and equipment, intangible assets and interests in equity-accounted entities show objective evidence of impairment loss or impairment reversal. If objective evidence exists, the recoverable amount of the asset is estimated. In its analysis, management considers factors such as the business' economic, technological or market environment, budget forecasts or the asset's market capitalization.

iii) Allowance for loan losses

At each reporting date, management determines whether loans with a high cumulative balance show, on an individual basis, objective evidence of impairment based on factors indicating that the borrower's financial position has deteriorated, including default on payment of interest or principal, financial restructuring, or an adverse change in the borrower's solvency.

Management also makes estimates for a group allowance by grouping together loans by similar credit rating and risk characteristics. This analysis relies mainly on management's judgment.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been applied consistently by all the entities consolidated in these financial statements of the Corporation.

A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Corporation and those of its subsidiaries and its interests in associates and joint ventures.

i) Subsidiaries

Subsidiaries are entities controlled by the Corporation. The Corporation has control when it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions were eliminated for purposes of preparing the consolidated financial statements. The Corporation's subsidiaries, which are wholly owned, are as follows:

- Albecour inc.[1]
- Gestion forestière du Saint-Maurice inc.
- Gestion forestière Lacroix inc.
- Gestion La Madeleine inc.
- IQ FIER inc.
- Ressources Québec inc.[2]
- Temrex Forest Products, Limited Partnership
- Rexforêt inc.
- C.D.M.V. inc.
- Centre d'insémination porcine du Québec (CIPQ) inc.
- IQ Immigrants Investisseurs inc.

(1) The reporting date of this subsidiary is December 31, which is different from the Corporation's year-end.
(2) Includes the subsidiaries SOQUEM and Mine Arnaud inc.

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ii) Investments in associates and joint ventures

Associates are companies over which the Corporation has significant influence, but not control, over the strategic financial and operating policies. Significant influence is deemed to exist when the Corporation holds between 20% and 50% of the voting power of an entity.

Joint ventures are companies whose activities are controlled pursuant to a contractual agreement that requires unanimous consent for strategic financial and operating decisions.

These investments, except for those designated at fair value through profit or loss, are accounted for using the equity method and are initially recognized at cost. The Corporation's interest includes the goodwill that is identified upon acquisition, net of any accumulated impairment losses. Goodwill identified upon acquisition is measured in the same way as in a business combination. The consolidated financial statements include the Corporation's share of total revenues and expenses and changes in equity of equity-accounted entities, after adjustments to align the accounting policies with those of the Corporation, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Corporation's share of losses exceeds its investment in an equity-accounted entity, the carrying value of the investment is reduced to nil, and the Corporation ceases to recognize its share of future losses unless the Corporation has an obligation to participate in the losses or to make payments on behalf of the entity.

Gains and losses arising from transactions entered into with equity-accounted entities are recognized in proportion to the investment in the associate that is not related to the Corporation.

iii) Jointly controlled assets

Joint ventures involving the joint control by the venturers of the assets contributed to, or acquired for the purpose of, the joint venture are jointly controlled assets. The joint ventures do not involve the establishment of a financial structure that is separate from the venturers. Through its share in the jointly controlled assets, each venturer has control over its share of the production generated by the assets.

The Corporation's interest in jointly controlled assets is recognized using the proportionate consolidation method. Under this method, the Corporation recognizes its share of the joint venture's assets, liabilities, revenues, expenses and cash flows in its consolidated financial statements.

iv) Business combinations

Business acquisitions are accounted for using the acquisition method. The consideration transferred by the Corporation for the acquisition of control of a subsidiary is the sum, at the acquisition date, of the fair values of the assets transferred, the liabilities incurred and equity units issued by the Corporation, including the fair value of any assets or liabilities resulting from a contingent consideration arrangement.

The Corporation recognizes an obligation to pay a contingent consideration as a liability and recognizes as an asset the right to the return of a previously transferred consideration if specified conditions are met. A contingent consideration is initially recognized at fair value on the acquisition date. A contingent consideration classified as equity is not remeasured and its subsequent settlement is recognized in equity. A contingent consideration classified as an asset or liability is subsequently recognized as either a financial instrument or a provision.

The Corporation measures goodwill at the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

B) FOREIGN CURRENCY

Transactions in foreign currencies are translated into the respective functional currencies of the Corporation's entities at the exchange rates in effect on the transaction dates and as follows:

- Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate in effect on that date; and
- Revenues and expenses are translated during the year at the exchange rate in effect at the time of the transaction or the average exchange rate for the period.

Foreign currency gains or losses are recognized in net income, except for foreign exchange gains and losses on available-for-sale equity securities that are included in other comprehensive income. Foreign exchange gains and losses are reported on a net basis.

i) Foreign operations

A foreign operation is a subsidiary, an associate or a joint venture whose activities are in a functional currency other than that of the Corporation. The assets and liabilities of foreign operations are translated into Canadian dollars using the end-of-period exchange rate.

Revenues and expenses are translated using the exchange rate in effect on the transaction dates or the average exchange rate for the period.

Translation differences are recognized in the cumulative translation differences of other comprehensive income.

Upon the disposal of a foreign operation, meaning the disposal of the Corporation's total interest in a subsidiary or of an interest in a subsidiary, an associate or a jointly controlled entity that has a foreign operation, the cumulative amount of translation differences is reclassified from equity to net income as a gain or loss on the disposal. Upon the partial disposal of a subsidiary that includes a foreign operation, the proportionate share of that cumulative amount is reallocated to non-controlling interests. In any other partial disposal of a foreign operation, such as the partial reduction of an interest in an associate or jointly controlled entity, the proportionate share is reclassified to net income.

C) CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

Upon initial recognition, all financial assets and liabilities, including derivative financial instruments, are measured at fair value plus directly attributable transaction costs, excluding financial instruments at fair value through profit or loss, for which the transaction costs are expensed as incurred.

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All financial instruments must be classified according to their characteristics based on management's intention or based on choice of category in certain circumstances. Upon initial recognition, all financial assets are classified either as at fair value through profit or loss, as held to maturity, as available for sale, or as loans and receivables, whereas financial liabilities are classified as at fair value through profit or loss or as other financial liabilities. Subsequent measurements of financial instruments depend on their classification.

The Corporation has classified its financial instruments as follows:

Type of financial instrument	Category
Cash and cash equivalents	Loans and receivables/Designated at fair value through profit or loss
Temporary investments	Loans and receivables/Designated at fair value through profit or loss
Accounts receivable	Loans and receivables/Classified at fair value through profit or loss
Guarantee fees receivable	Loans and receivables
Notes receivable from the Government of Québec	Loans and receivables
Loans	Loans and receivables
Investments	Available for sale/Classified and designated at fair value through profit or loss
Other financial assets	Loans and receivables
Bank overdrafts	Other financial liabilities
Bank loans	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Advances from the Government of Québec	Other financial liabilities
Long-term debt	Other financial liabilities
Guarantee liability	Other financial liabilities
Other financial liabilities/Derivative financial instruments	Classified at fair value through profit or loss

A financial asset is derecognized when the contractual rights to the cash flows from that financial asset expire or when the Corporation transfers the contractual rights to receive the cash flows from that financial asset in a transaction where substantially all the risks and rewards of ownership of the financial asset are transferred. Any right created or maintained by the Corporation over the transferred financial assets is recognized separately in assets or liabilities.

A financial liability is derecognized when the Corporation's contractual obligations are discharged, cancelled or have expired.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, the Corporation has a legal right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

i) Loans and receivables

After initial recognition, loans and receivable items such as cash and cash equivalents, temporary investments, accounts receivable, guarantee fees receivable, notes receivable from the Government of Québec, loans and other financial assets, are measured at amortized cost using the effective interest method, less any impairment losses. Income from loans and receivables is recognized under Investment income and Other financial income in net income.

Loans

Analysis fees to offset loan origination fees assumed by the Corporation are deferred and amortized using the effective interest method.

Every year the Corporation reviews the quality of credit and when it has deteriorated to the point where there is no reasonable assurance that a loan will be collected in full (principal and interest), the loan is considered impaired. Indications of loan impairment include evidence that the borrower is experiencing significant financial difficulties, the likelihood of bankruptcy or other financial restructuring and a measurable decrease in estimated future cash flows due to unfavourable changes in the borrower's creditworthiness or economic conditions that correlate with payment defaults. Interest ceases to be recognized and the carrying amount of these loans is reduced to the estimated realizable value. Impairment losses are recognized under Impairment losses on investments in net income. Interest on the impaired asset continues to be recognized through an accretion of the discount. When a subsequent event causes the amount of impairment to decrease, the decrease in impairment loss is reversed through Impairment losses on investments in net income.

The carrying value of loans restructured as low-interest loans and interest-free loans is reduced to the present value of net cash flows receivable under the new provisions, at the effective interest rate inherent in the loan. The decrease in the carrying value resulting from the restructuring is charged to the provision for losses in net income. The increase in the carrying value due to the passage of time is recorded as interest income under Investment income in net income.

Foreclosed assets are presented as impaired loans and recorded at fair value at the time of foreclosure. The reduction in the net carrying value of the loans is then recognized in net income. Any subsequent reduction is charged to the provision for losses.

Allowance for losses

The allowance for loan losses is reported in the Corporation's Consolidated Statement of Financial Position as a reduction of the value of the loans. In the Corporation's opinion, this allowance reflects the most accurate estimate of amounts required to cover losses on the loans in its portfolio.

Corporate clients are classified into risk categories that are based on solvency and credit criteria, and that take business and economic conditions into consideration. This classification is updated regularly. Loans considered impaired are covered by an allowance for losses equal to the balance of the loan less the estimated realizable value of the collateral. When a company is winding up, has ceased repaying the Corporation and for which a turnaround is unlikely, the loans considered impaired are written off.

Other loans are covered by a group allowance to provide for incurred but unidentified losses, calculated by applying an allowance rate to the balance of loans.

The allowance rate for each category is based on a statistical analysis using market inputs. The losses are subsequently adjusted to reflect qualitative factors such as management's judgment regarding credit quality given the current macroeconomic business conditions, portfolio-specific matters, model factors and the level of impaired loans for which a specific provision has not yet been made.

Companies that have high cumulative loan balances or that have special characteristics are subject to a specific analysis of the allowance for losses, regardless of their risk category.

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ii) Financial instruments at fair value through profit or loss

A financial asset held for trading is classified as at fair value through profit or loss. However, it may be designated as at fair value through profit or loss, when it is initially recognized, if one of the following conditions is met: 1) the financial instrument contains one or more embedded derivatives that would otherwise be recognized separately, 2) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would result from measuring financial assets or liabilities or recognizing gains or losses on them on different bases, or 3) the financial asset and financial liability are part of a group of financial assets, financial liabilities or both that is managed, and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy. This designation is irrevocable.

The Corporation designated the following financial assets as at fair value through profit or loss:

- Asset-backed term notes (ABTN), which contain a number of embedded derivatives that must be recognized separately.
- Temporary investments with maturities of three months or less, which are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy.
- Investments in entities whose main economic activity is investing to upgrade their investments. These investments are considered investments in venture capital organizations. Investments held by these entities, including investments in associates and joint ventures, are designated as at fair value through profit or loss because they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial assets at fair value through profit or loss are measured at fair value, and changes in fair value are recorded under Net change in investments at fair value through profit or loss in net income of the period in which they arise.

iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in any of the previous categories. Investments in equity securities and certain debt securities (i.e., listed bonds) are classified as available-for-sale financial assets. The Corporation has elected to account for these asset transactions at the transaction date. Subsequent to initial recognition, these investments are measured at fair value, with changes in value, other than impairment losses and translation differences on available-for-sale debt securities, recognized in other comprehensive income. On disposal of an investment, the cumulative gain or loss recognized in other comprehensive income, determined on an average cost basis, is transferred to net income under Net gains on investments and other.

Available-for-sale financial assets are measured at each period-end to determine whether there is objective evidence of impairment. When determining whether there is objective evidence of impairment, the Corporation considers the duration and significance of the decline in fair value relative to its cost, as well as the issuer's financial position and outlook. An impairment loss is recognized by transferring the cumulative losses recognized in other comprehensive income to net income under Impairment losses on investments.

Impairment losses on equities classified as available for sale, recognized in net income, may not be reversed. Impairment losses on debt securities classified as available for sale, recognized in net income, must be reversed through net income if, in a subsequent period, the fair value of the securities increases and such an increase can be objectively linked to an event occurring after the loss was recognized.

iv) Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The corresponding interest expense is reported in net income under Other financial expenses.

Bank overdrafts, bank loans, accounts payable and accrued liabilities, advances from the Government of Québec and long-term debt

Subsequent to initial recognition, bank overdrafts, bank loans, accounts payable and accrued liabilities, advances from the Government of Québec and long-term debt are measured at amortized cost using the effective interest method. The corresponding interest expense is reported in net income under Other financial expenses and Expenses related to Immigrant Investors activities.

Issuance expenses, discounts and premiums are recognized in the carrying value of bank loans and long-term debt and are amortized using the effective interest method.

Notes payable to immigrant investors

Any difference between the fair value of the notes payable to immigrant investors and the cash consideration is deferred to the Consolidated Statement of Financial Position in Deferred benefits conferred by immigrant investors. This amount is then gradually recognized in net income under Benefits conferred by immigrant investors as the Corporation incurs the expenses that it is contractually committed to incur with those amounts.

Guarantees

The Corporation recognizes a receivable for the guarantee fees receivable from guarantee contracts in Guarantee fees receivable in the Consolidated Statement of Financial Position, that is, the present value of guarantee fees receivable under contractual provisions. The Corporation also recognizes its unconditional commitment to stand ready to perform in accordance with the terms of the guarantee contract under Guarantee liability in the Consolidated Statement of Financial Position, that is, the present value of guarantee fees receivable at market rates.

Subsequent to initial recognition, the receivable and initial guarantee liability are measured at amortized cost using the effective interest method.

Interest income from guarantee fees receivable is reported in net income under Investment income. The initial guarantee liability is recognized in net income over the term of the guarantee contract in Investment income, and the increase in carrying value due to the passage of time is recorded as an interest expense through net income under Other financial expenses.

Since the carrying value of guarantees is not an indicator of the maximum obligation that the Corporation could be required to pay to a third party, the Corporation continues to consider guarantees as off-balance sheet financial instruments.

A provision for losses is recognized in addition to the initial guarantee liability, if necessary. This provision is determined using the same methods as the allowance for loan losses. Once the provision for losses becomes greater than the unamortized balance of the initial guarantee liability, the guarantee liability must be adjusted according to the potential obligation to perform under the guarantee commitment. In the Corporation's opinion, the guarantee liability reflects the most accurate estimate of the foreseeable losses on the guarantee contracts in its portfolio.

Guarantee claims are recognized when the disbursement is approved by the Corporation, provided the conditions are met. Disbursements are then applied against the guarantee liability, and the balance of the guarantees is reduced by the same amount. Where the Corporation is virtually certain of recovery, the disbursements are recognized as assets in accordance with accounting policies applicable to the loans.

Analysis fees to offset loan origination fees assumed by the Corporation are deferred and amortized using the effective interest method.

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D) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Corporation may use derivative financial instruments to reduce the risks of fluctuations in foreign currencies, interest rates and commodity prices. The Corporation has a policy of not entering into financial derivative instruments for trading or speculative purposes. Upon initial recognition, derivative financial instruments are accounted for at fair value.

The Corporation has designated certain financial instruments as hedging instruments in cash flow or fair value hedges. At the inception of a hedging relationship, the Corporation documents the relationship between the hedging instrument and the hedged item, its risk management objective, its strategy for establishing the hedge, and the methods to be used to measure hedge effectiveness. The Corporation is required to demonstrate that the relationship is highly effective, both at hedge inception and throughout the hedging period, so that it may continue to apply hedge accounting.

i) Cash flow hedges

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedging instruments is recognized in other comprehensive income and reported in the Statement of Changes in Equity. Any gain or loss in fair value related to the ineffective portion is immediately recognized through net income. The effective portion of the hedge relationship accumulated in other comprehensive income is transferred to net income in the period in which the hedged item affects net income. When the hedge no longer meets hedge accounting criteria, or when it matures or is sold, cancelled or exercised, or when the Corporation cancels the designation, hedge accounting ceases to be used prospectively. Any accumulated gain or loss previously recognized in other comprehensive income is maintained until the forecast transaction affects net income. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in net income.

ii) Fair value hedges

For derivative instruments designated as fair value hedges, changes in the fair value of a derivative financial hedging instrument accounted for in net income are largely offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When the fair value hedge ceases, the carrying amount of the hedged item is no longer adjusted and the hedged item's cumulative fair value adjustments are recorded as a reduction of net income using the same accounting policy as for the hedged item.

The change in fair value of derivative financial instruments not designated as cash flow hedging instruments is recognized in net income under Net change in investments at fair value through profit or loss.

iii) Separable embedded derivatives

Embedded derivatives are accounted for separately if, and only if, the following three conditions are met: the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, the embedded derivative is a separate instrument that meets the definition of a derivative financial instrument, and the hybrid contract is not recorded at fair value.

Embedded derivatives recognized separately from a supply contract are reported in Accounts payable and accrued liabilities in the Consolidated Statement of Financial Position. Other separately recognized embedded derivatives, including conversion options and warrants, are reported with the host contract under Investments in the Consolidated Statement of Financial Position. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Changes in fair value are recognized in net income under Cost of sales and Net change in investments at fair value through profit or loss.

E) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash or bank overdrafts, as the case may be, and temporary investments with maturities of three months or less from the acquisition date.

F) TEMPORARY INVESTMENTS

Temporary investments consist of investments with maturities of three months to twelve months from the acquisition date.

G) REVENUES

i) Revenues from continuing operations

Revenues from the sale of goods in the normal course of business are measured at the fair value of the consideration received or receivable, net of returns and rebates. Revenues are recognized when there is objective evidence that the risks and rewards incidental to ownership have been transferred, i.e., generally when the goods have been delivered, the associated costs incurred or to be incurred and possible return of goods can be reliably estimated, there is no continuing involvement with the goods, the amount of revenue can be reliably measured, and recovery of the consideration is probable. The timing of the transfer of the risks and rewards varies depending on the nature of the continuing operations.

ii) Financial revenues

Income from dividends on investments is recognized when the Corporation's right to receive payment is established, provided it is probable that the economic benefits will flow to the Corporation and the amount of the revenue can be reliably estimated.

Interest income is recognized using the effective interest method.

Income from guarantee fees is recognized as described under C) of this note. Other financial income includes analysis fees and interest on cash and temporary investments.

H) INVENTORIES

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is based on the average cost method and includes costs of purchase, production or conversion as well as the costs incurred to bring the inventories to their present location and condition. The cost of finished goods and work in progress inventories includes an appropriate portion of production costs based on normal production capacity. Net realizable value is the estimated selling price in the normal course of business, less the estimated costs of completion and the estimated costs needed to make the sale or replacement cost.

I) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated amortization and accumulated impairment losses.

Cost includes expenses that are directly attributable to the acquisition of the asset. The cost of assets produced by the Corporation includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the assets and restoring the site, and the borrowing costs on qualifying assets.

Capitalization of borrowing costs for construction of a qualified asset commences when the work begins and ceases when the activities needed to prepare the asset for its intended use are substantially complete.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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Amortization is calculated over the depreciable amount, which is the cost of the asset less its residual value. The Corporation records amortization on a straight-line basis over the following estimated useful lives:

Buildings	15 to 30 years
Material and equipment	4 to 25 years
Roads and bridges	14 to 20 years
Other	1 to 20 years

Land and property, plant and equipment under construction or development are not amortized. The amortization methods, useful lives and residual values are reviewed at each fiscal year-end and adjusted prospectively, if necessary.

J) BIOLOGICAL ASSETS

Biological assets related to forest products include harvestable timber. Harvestable timber is measured at fair value less costs to sell, with any change recognized in net income for the year. Costs to sell include all costs that would be needed to sell the assets. Harvested timber is transferred to inventory at its fair value less estimated costs to sell at the date of harvest. Harvestable timber land is recognized separately as property, plant and equipment.

K) INTANGIBLE ASSETS

Intangible assets that have finite useful lives are recognized at cost less accumulated amortization and impairment losses. Amortization is calculated over the cost of the asset less its residual value on a straight-line basis over the following estimated useful lives:

Electricity purchase agreement and right	15 to 25 years
Licences and other	3 to 20 years

The cost of the electricity purchase agreement for which the value is below market cost is amortized on a straight-line basis over the term of the agreement, i.e., 15 years starting in 2002. The cost of the right to obtain a block of electricity acquired in 2002 is amortized on a straight-line basis over the term of the agreement, i.e., 25 years starting in 2002.

The amortization methods, useful lives and residual values are reviewed at each fiscal year-end and adjusted prospectively, if necessary.

i) Mining properties and exploration and evaluation assets

The mining properties represent an acquired interest in the licences or mining exploration claims including the rights to explore for, exploit, extract and sell all minerals extracted from those claims.

All costs prior to exploration, consisting of the costs incurred prior to obtaining the legal rights to perform exploration and evaluation activities, are expensed as incurred.

After obtaining the legal exploration right, the exploration and evaluation costs are capitalized until the mining property becomes commercially viable or is sold or abandoned. Those costs consist of expenditures associated with geological and geophysical studies, fees related to the initial search for mineral deposits with economic potential, such as drilling, sampling, etc. The administrative expenses related to exploration and evaluation work are recognized in net income. Exploration and evaluation assets are recorded at historical cost less any impairment loss recognized.

Where the technical feasibility and commercial viability of the extraction of a mineral resource have been demonstrated for a given prospect, the Corporation ceases capitalizing exploration and evaluation costs for that prospect, tests the exploration and evaluation assets recognized for impairment and reclassifies any unimpaired exploration and evaluation assets in mining development property, plant and equipment or intangible assets, according to the nature of the assets.

L) GOVERNMENT ASSISTANCE

The Corporation is eligible for government grants for additions to property, plant and equipment. These grants are presented as Deferred grants in the Consolidated Statement of Financial Position where there is reasonable assurance that they will be received and that the Corporation will comply with the associated conditions. This government assistance is systematically recognized in net income using the same policy, periods and rates as the associated property, plant and equipment.

The Corporation is also eligible for government assistance to offset the expenses incurred for the losses and shortfalls of certain programs. Government assistance is initially recognized at fair value and reported in Amounts recoverable from the Government of Québec. Every year, the Corporation measures the recoverable value of these amounts and recognizes any changes under Impairment losses on investments in net income during the period in which the expenses are incurred.

M) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amount of property, plant and equipment, intangible assets with finite useful lives and interests in equity-accounted entities are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and fair value less costs to sell. To determine value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets (cash-generating unit).

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amounts of the other assets in the group (group of units) proportionately.

Impairment losses recognized in prior periods are measured at the end of the reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized. Reversals of impairment losses are also recognized in net income. A reversal of an impairment loss on a cash-generating unit is allocated to the assets of the unit, except for goodwill, proportionately to the carrying amounts of those assets.

Goodwill that forms part of the carrying amount of an interest in an equity accounted entity is not recognized separately and is therefore not tested for impairment separately. Instead, the entire carrying amount of the interest, including goodwill, is tested for impairment as a single asset when there is objective evidence that it may be impaired. Impairment losses and reversals of impairments on equity-accounted interests are recognized as described above and reported in net income under Impairment losses on investments.

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N) ASSETS HELD FOR SALE

A non-current asset is classified as held for sale when its carrying amount will be recovered primarily through sale rather than through continuing use. This condition is met only when the sale is highly probable and the non-current asset (or disposal group) is immediately available for sale in its current condition. Management must be committed to the sale and the sale must be expected to qualify for recognition as a completed sale within one year from the classification date. A non-current asset held for sale must be measured at the lower of its carrying amount or fair value less costs to sell and should not be amortized as long as it is classified as such. Impairment losses arising from this classification and subsequent gains or losses on remeasurement are recognized in net income. Reversals of recognized impairment losses may not exceed the cumulative amount of the impairment losses.

O) DISCONTINUED OPERATIONS

A discontinued operation is a component of the Corporation's business that represents a major line of business or geographical area that has been disposed of or that is held for sale. Classification as a discontinued operation occurs upon disposal or at an earlier date when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income and comparative statement of cash flows are restated as if the operation had been discontinued from the start of the comparative period.

P) PROVISIONS

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. If the impact of discounting is significant, the amount is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a financial expense.

i) Provision for site restoration

A provision is recognized for the future obligations related to the cost to dismantle and remove items of property, plant and equipment and to restore the site. The amount of the obligation is added to the carrying amount of the item of property, plant and equipment and amortized over its useful life. Adjustments to estimated future cash flows subsequent to reviews of the estimated amount or timing of undiscounted cash outflows or a change of discount rate are recognized as changes in the provision and the associated items of property, plant and equipment.

ii) Litigation

Litigation is monitored regularly, on a case by case basis, by the Corporation's management and with the assistance of external counsel for the most significant or complex cases. A provision is recognized when it becomes probable that a present obligation arising from a past event requires a settlement whose amount can be reliably estimated. The amount of the provision is the best estimate of the expenditure required to settle the obligation at the reporting date.

Q) EMPLOYEE BENEFITS

i) Salaries and short-term benefits

Obligations for salaries and short term benefits are measured on an undiscounted basis and recognized when the related service is provided. A liability is recognized for the amount that the Corporation expects to pay as short-term cash bonuses if the Corporation has a present legal or constructive obligation to make these payments in consideration of past services rendered by the employee and the obligation can be reliably estimated.

ii) General and mandatory plans

The Corporation's employees participate in general and mandatory pension plans. These are defined benefit plans, administered by the Commission administrative des régimes de retraite et d'assurances, that include guarantees to pay pension and death benefits that are indexed annually. Defined contribution plan accounting is applied to these plans because the Corporation's obligations are limited to its employer contributions.

The employer's share in these plans is expensed in the period in which the services are rendered by the employees.

iii) Defined benefit plans

The cost of pension benefits and other retirement benefits provided in exchange for services rendered during the year is calculated at each reporting date using the projected unit credit method based on management's best estimate of economic and demographic assumptions.

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that amount is discounted to determine its present value. Unrecognized past service costs and the fair value of plan assets must be deducted.

The discount rate is the market yield, at the reporting date, on first-class corporate bonds that have maturity dates approximating the terms of the Corporation's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The past service cost arising from changes to the plans is recognized in net income for the year in which it is incurred, to the extent that the benefits are vested. If the benefits are not yet vested, past service costs are recognized in net income on a straight-line basis over the remaining service period.

If the calculation results in a benefit to the Corporation, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of the asset, consideration is given to any minimum funding requirements that apply to the Corporation's plans. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities.

The Corporation recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income which is reported under Deficit in the statement of changes in equity.

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R) LEASES

Leases are classified as finance leases when substantially all of the risks and rewards incidental to ownership of the asset are transferred to the Corporation under the terms of the lease; other leases are operating leases. All of the Corporation's leases are classified as operating leases.

Assets leased under operating leases are not recognized in the Corporation's Consolidated Statement of Financial Position. Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total lease expense and amortized on a straight-line basis over the term of the lease. Related expenses, such as maintenance and insurance, are expensed as incurred.

S) CHANGES TO THE PRESENTATION OF THE CONSOLIDATED STATEMENT OF CASH FLOWS

During the year ended March 31, 2013, the Corporation reclassified to the Consolidated Statement of Cash Flows interest received on notes receivable from the Government of Québec.

For the year ended March 31, 2013, interest received is included under operating activities along with interest income from other investments; previously, these items were classified under investing activities and reported together with principal repayments on the related notes receivable from the Government of Québec issued at a discount. The impact of the reclassification as at March 31, 2012 is as follows:

	2012
Cash flows related to operating activities	
Interest received	102,801
Cash flows related to investing activities	
Decrease in notes receivable from the Government of Québec	(102,801)
Impact on cash and cash equivalents	

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, interpretations and amendments to existing standards issued by the International Accounting Standards Board (IASB), which are mandatory but were not yet effective for the period ended March 31, 2013, have not been applied in preparing these consolidated financial statements. The standards that apply to the Corporation are as follows:

Standard/interpretation	Applicable for the fiscal year beginning on
IFRS 9, *Financial Instruments*	April 1, 2015
IFRS 10, *Consolidated Financial Statements*	April 1, 2013
IFRS 11, *Joint Arrangements*, and IAS 28, *Investments in Associates and Joint Ventures*	April 1, 2013
IFRS 12, *Disclosure of Interests in Other Entities*	April 1, 2013
IFRS 13, *Fair Value Measurement*	April 1, 2013
Amendments to IAS 1, *Presentation of Financial Statements*	April 1, 2013
Amendments to IAS 19, *Employee Benefits*	April 1, 2013
Amendments to IAS 32, *Financial Instruments: Presentation* (offsetting financial assets and financial liabilities)	April 1, 2014
Amendments to IFRS 7, *Financial Instruments: Disclosures* (offsetting financial assets and financial liabilities)	April 1, 2013
Amendments for investment entities	April 1, 2014

a) IFRS 9, *Financial Instruments*

IFRS 9 replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, regarding the classification and measurement of financial assets. The standard eliminates the existing IAS 39 categories of investments held to maturity, available-for-sale assets, and loans and receivables. Financial assets will be classified into one of two categories upon initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. Gains and losses resulting from the remeasurement of financial assets measured at fair value will be recognized in net income. However, under IFRS 9, an entity may, at initial recognition, make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of investments in equity instruments that are not held for trading. The election must be made for each equity instrument.

IFRS 9 also includes guidance for the classification and measurement of financial liabilities. This guidance is in line with IAS 39, except for certain elements.

b) IFRS 10, *Consolidated Financial Statements*

IFRS 10 partially replaces IAS 27, *Consolidated and Separate Financial Statements*, and SIC 12, *Consolidation – Special Purpose Entities*. IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that are currently special purpose entities within the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27.

c) IFRS 11, *Joint Arrangements*, and IAS 28, *Investments in Associates and Joint Ventures*

IFRS 11 replaces IAS 31, *Interests in Joint Ventures*. The standard focuses on the rights and obligations of an agreement rather than on its legal form. Under IFRS 11, a joint arrangement is either a joint operation or a joint venture. IFRS 11 also eliminates the option of using either the proportionate consolidation method or the equity method; joint ventures are now required to use the equity method. The scope of IAS 28, *Investments in Associates and Joint Ventures*, now includes investments in joint ventures.

d) IFRS 12, *Disclosure of Interests in Other Entities*

IFRS 12 sets out heightened disclosure requirements applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The disclosures should enable users to evaluate the nature of, and the risks associated with, an entity's interests in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.

e) IFRS 13, *Fair Value Measurement*

IFRS 13 replaces the fair value measurement guidance previously provided in individual IFRS with a single source of fair value measurement guidance. It clarifies the definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurement.

f) Amendments to IAS 1, *Presentation of Financial Statements*

The amendments require entities to present items of other comprehensive income that might be reclassified in net income in the future separately from those that will never be reclassified to net income.

g) Amendments to IAS 19, *Employee Benefits*

The amendments require the following:

- Immediate recognition of actuarial gains or losses in other comprehensive income
- Immediate recognition of all past service costs in net income
- Calculation of the expected return on plan assets recognized in net income using the discount rate of the defined benefit obligation, and
- Presentation of additional disclosures on the entity's defined benefit plans and associated risks

h) Amendments to IAS 32, *Financial Instruments: Presentation*, and IFRS 7, *Financial Instruments: Disclosures*

The amendments to IAS 32 state that an entity has a legally enforceable right to set-off if that right is not contingent on a future event and if it is enforceable both in the normal course of business and in the event of default. The amendments also clarify how to determine whether a settlement system provides for net settlement or gross settlement that is equivalent to net settlement. The amendments to IFRS 7 contain new disclosure requirements regarding the offsetting of financial assets and financial liabilities.

i) Amendments related to investment entities (amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities*, and IAS 27, *Separate Financial Statements*)

The *Investment Entities* document applies to a specific category of entities that meet the definition of an investment entity. The amendments set out an exception to the consolidation rules in IFRS 10 by requiring investment entities to measure certain subsidiaries at fair value through profit or loss instead of consolidating them. The amendments also specify the reporting obligations for investment entities.

The Corporation has not yet evaluated the impact of the above-mentioned standards on its consolidated financial statements or determined whether they will be early adopted.

5. STATEMENT OF INCOME BY FUNCTION

	2013	2012
REVENUES		
Sale of goods	448,095	472,080
Sale of services	34,407	37,011
Net investment income	482,617	392,184
Other	294	316
	965,413	901,591
EXPENSES		
Cost of goods and services sold	407,737	411,776
Financial expenses	342,300	346,551
	750,037	758,327
General administrative expenses	100,866	95,325
Storage expenses	14,918	12,463
Selling expenses	10,641	12,139
	126,425	119,927
Share of net income of equity accounted entities	14,344	34,144
Operating income from continuing operations	103,295	57,481
Loss from discontinued operations	(2,051)	(2,890)
Net income	101,244	54,591

Personnel expenses included in the cost of goods and services sold, and general administrative expenses comprise:

	2013	2012
Salaries and other short-term benefits	79,624	84,765
Contributions to defined contribution plans (Note 31)	4,395	2,770
Defined benefit plan expense (Note 31)	6,018	6,448
	90,037	93,983

6. FINANCIAL REVENUES

INVESTMENT INCOME

	2013	2012
Interest on loans	45,148	50,869
Interest on impaired loans	1,673	1,444
Interest on guarantee fees receivable	5,719	280
Interest on notes receivable from the Government of Québec	108,120	114,041
Interest on available-for-sale investments	3,923	8,502
Dividends on available-for-sale investments	10,394	7,958
Interest on other investments	642	634
Guarantee fees	23,665	27,050
	199,284	210,478

NET CHANGE IN INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013	2012
Financial assets designated at fair value through profit or loss		
Asset-backed term notes	13,136	2,887
Investments in venture capital organizations	650	(292)
Investments in venture capital organizations of associates	(9,381)	(2,672)
Other investments	–	(33)
	4,405	(110)
Financial assets classified as held for trading		
Derivative financial instruments	(11,337)	(17,749)
	(6,932)	(17,859)

OTHER FINANCIAL REVENUES

	2013	2012
Analysis fees	4,783	3,933
Interest on cash and cash equivalents and temporary investments	9,255	6,877
Other	7,244	5,120
	21,282	15,930

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7. FINANCIAL EXPENSES

EXPENSES RELATED TO IMMIGRANT INVESTORS ACTIVITIES

	2013	2012
Interest on notes from immigrant investors	107,809	113,882
Fees to financial intermediaries	53,382	48,393
Non repayable financial contributions	56,306	55,361
	217,497	217,636

IMPAIRMENT LOSSES ON INVESTMENTS

	2013	2012
Impairment of available-for-sale investments	46,516	33,455
Impairment of interests in equity-accounted entities (Note 20)	45,689	61,156
Losses on loans and guarantees	11,719	12,747
Losses on amounts recoverable from the Government of Québec	11,598	6,058
Change in provision on commitments	3,780	
Other	1,223	747
	120,525	114,163

OTHER FINANCIAL EXPENSES

	2013	2012
Interest on long-term debt	424	14,572
Interest on guarantee liability	4,002	498
Foreign exchange gain on financial instruments	(1,828)	(3,328)
Benefits conferred to clients	–	2,590
Other	1,680	420
	4,278	14,752

8. MANAGEMENT FEES – ECONOMIC DEVELOPMENT FUND

Under the *Act respecting Investissement Québec*, the government sets the remuneration to be received by the Corporation for administering financial assistance programs and the mandates entrusted to it by the government under the EDF. The Corporation debits this remuneration from the EDF. Pursuant to decree 306-2013 dated March 27, 2013, the remuneration was set at $26.5 million for the year ended March 31, 2013 ($29.5 million as at March 31, 2012).

9. DISCONTINUED OPERATIONS

The net loss of $2,051,000 recognized in discontinued operations as at March 31, 2013 ($2,890,000 as at March 31, 2012) is the provision for shutdown and restoration costs for sites of operations discontinued by the Corporation.

10. CASH AND CASH EQUIVALENTS

	2013	2012
Cash	29,166	21,186
Temporary investments with maturities of three months or less from the purchase date:		
Bankers' acceptances, 0.07% to 1.11%, maturing in April and May 2013	34,731	22,626
Term deposit, 1.15% to 1.26%, maturing in April and November 2013	11,420	5,200
Bearer notes, 1.12% to 1.16%, maturing in April 2013	6,698	28,979
Deposit certificates, 0.90%, maturing in April 2013	1,960	35,523
Commercial paper, 1% to 1.20%, maturing in April and May 2013	30,144	62,877
Treasury bills, 0.92% to 1.20%, maturing from April to June 2013	18,432	19,794
Variable rate provincial bonds	–	26,808
Variable rate financial institution bonds	–	2,000
Fixed rate bonds, 1.20% to 1.23%, maturing in April 2013	1,022	9,972
	133,573	234,965

11. TEMPORARY INVESTMENTS

	2013	2012
Bankers' acceptances, 1.12% to 1.14%, maturing in May and June 2013	6,495	9,752
Bearer notes, 1.17% to 1.30%, maturing from April 2013 to March 2014	50,432	44,814
Deposit certificates, 1.35% to 1.65%, maturing from May to September 2013	26,035	8,000
Commercial paper, 1.11% to 1.20%, maturing from April to August 2013	15,467	41,171
Treasury bills, 1.02% to 1.18%, maturing from April 2013 to March 2014	115,067	21,202
Variable rate provincial bonds	–	88,762
Variable rate financial institution bonds, 1-month CDOR plus 0.09%, maturing in June 2013	14,800	44,909
Fixed rate bonds, 1.02% to 1.57%, maturing from April 2013 to March 2014	304,935	134,788
	533,231	393,398

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. ACCOUNTS RECEIVABLE

	2013	2012
Trade accounts receivable	55,755	52,101
Trade accounts receivable – related parties		
Due from joint ventures	247	7,460
Due from associates	2,091	1,228
Due from the Government of Québec	–	3,069
Other accounts receivable	28,015	17,412
	86,108	81,270

13. GUARANTEE FEES RECEIVABLE

	2013	2012
Guarantee fees receivable	34,359	30,736
Allowance for losses (Note 17)	4,291	3,935
	30,068	26,801
Less current portion, net of the allowance	9,331	8,276
	20,737	18,525

Scheduled receipts of guarantee fees, under contractual provisions, are as follows:	2013	2012
Under 1 year	11,135	10,076
1 to 2 years	7,814	7,127
2 to 3 years	5,989	5,414
3 to 4 years	4,604	4,092
4 to 5 years	3,334	3,072
Over 5 years	6,612	6,491
	39,488	36,272

Receipts of guarantee fees receivable, past due under contractual provisions but for which a specific provision has not been made, are as follows:	2013	2012
Under 30 days	1,010	246
30 to 90 days	311	261
Over 90 days	236	–
	1,557	507

14. INVENTORIES

	2013	2012
Finished goods	44,522	44,327
Raw materials	5,292	7,306
Consumable and spare parts	4,368	3,379
Work in progress	971	1,906
Other	1,417	1,765
	56,570	58,683

As at March 31, 2013, inventories recorded to cost of sales totalled $388,303,000 ($369,594,000 as at March 31, 2012). This amount also includes insignificant impairment losses. The Corporation did not record any reversals of previously recognized inventory impairments.

15. NOTES RECEIVABLE FROM THE GOVERNMENT OF QUÉBEC

The IQ Immigrants Investisseurs inc. subsidiary is responsible for receiving and managing capital from immigrant investors and using the investment income to administer the business assistance program in partnership with financial intermediaries. Pursuant to decree 8-2008, capital received from immigrant investors is invested in notes receivable from the government's consolidated fund with a yield equivalent to five-year Québec bonds.

	2013	2012
Notes receivable from the Government of Québec, interest rates of 1.77% to 4.16%, maturing from April 2013 to March 2018, face value of $4.3 billion	4,028,350	3,558,290
Less current portion	541,677	671,333
	3,486,673	2,886,957

The notes receivable mature as follows:

	2013	2012
Under 1 year	541,677	671,333
1 to 2 years	828,557	522,075
2 to 3 years	788,896	804,248
3 to 4 years	812,129	766,270
4 to 5 years	1,057,091	794,364
	4,028,350	3,558,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16. LOANS

	2013	2012
Loans		
Interest-bearing[1][2][3]		
Fixed rate	**166,837**	224,536
Variable rate	**474,848**	339,909
Non-interest bearing	**7,315**	7,112
	649,000	571,557
Impaired	**72,768**	76,108
	721,768	647,665
Allowance for losses (Note 17)		
Interest-bearing loans	**(25,378)**	(17,150)
Non-interest bearing loans	**(412)**	(845)
Impaired loans	**(47,442)**	(56,230)
	(73,232)	(74,225)
	648,536	573,440
Less current portion, net of the allowance	**112,132**	79,753
	536,404	493,687

(1) The following table shows the loans, net of the allowance for losses, by contractual maturity date, as well as the effective return on interest-bearing loans as at March 31:

	2013			
	Under 1 year	**1 to 5 years**	**Over 5 years**	**Total**
Interest-bearing loans	**56,968**	**299,534**	**259,805**	**616,307**
Non-interest bearing loans	**6,317**	**466**	**120**	**6,903**
Impaired loans	**1,888**	**17,034**	**6,404**	**25,326**
	65,173	**317,034**	**266,329**	**648,536**
Return at weighted effective rate	**7.11%**	**6.93%**	**6.54%**	

	2012			
	Under 1 year	1 to 5 years	Over 5 years	Total
Interest-bearing loans	13,089	397,210	136,996	547,295
Non-interest bearing loans	6,267	–	–	6,267
Impaired loans	2,415	16,403	1,060	19,878
	21,771	413,613	138,056	573,440
Return at weighted effective rate	7.05%	6.12%	7.63%	

(2) Including the carrying value of loans restructured during the year, which would have otherwise been impaired, for an amount of $11,000,000 as at March 31, 2013 ($3,500,000 as at March 31, 2012).

(3) Including the loans granted to associates under market conditions totalling $23,400,000 as at March 31, 2013 ($23,000,000 as at March 31, 2012).

Scheduled principal collections on loans, under contractual provisions, are as follows:	2013	2012
Under 1 year	132,618	100,264
1 to 2 years	126,953	110,969
2 to 3 years	144,570	73,227
3 to 4 years	71,553	241,445
4 to 5 years	91,517	36,102
Over 5 years	149,878	98,499
	717,089	660,506

Loans past due under contractual provisions, but not impaired, are as follows:	2013	2012
Under 30 days	1,828	1,354
30 to 90 days	650	74
Over 90 days	620	–
	3,098	1,428

17. ALLOWANCE FOR LOSSES

	Loans	Guarantee fees receivable	Guarantee liability	Other	Total
Balance as at April 1, 2011	96,649	6,026	68,101	3,859	**173,635**
Provision for losses	3,847	(813)	9,713	747	**13,494**
Recoveries	362	170	353	–	**885**
Write-offs	(25,633)	(1,448)	–	(3)	**(27,084)**
Guarantee disbursements that did not create an asset	–	–	(10,934)	–	**(10,934)**
Unamortized balance of initial guarantee liability reclassified to allowance for losses	–	–	2,115	–	**2,115**
Balance as at March 31, 2012	**74,225**	**3,935**	**69,348**	**4,603**	**152,111**
Provision for losses	1,983	1,197	8,539	1,223	**12,942**
Recoveries	4,219	1	124	–	**4,344**
Write-offs	(7,195)	(842)	–	(97)	**(8,134)**
Guarantee disbursements that did not create an asset	–	–	(8,347)	–	**(8,347)**
Unamortized balance of initial guarantee liability reclassified to allowance for losses	–	–	1,035	–	**1,035**
Balance as at March 31, 2013	**73,232**	**4,291**	**70,699**	**5,729**	**153,951**

The Corporation may require clients to provide collateral and suretyships. Collateral generally consists of the universality of the corporate client's property, including land, buildings, equipment, machinery and furniture. As at March 31, 2013, the provision takes into account collateral and suretyships totalling $135,415,000 for loans ($271,304,000 as at March 31, 2012) and $31,676,000 for guarantees ($35,286,000 as at March 31, 2012).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. INVESTMENTS

	2013	2012
Financial assets designated at fair value through profit or loss		
Asset-backed term notes	**87,411**	74,573
Investments in venture capital organizations	**10,419**	10,512
Investments in venture capital organizations of associates [1]	**303,834**	276,193
	401,664	361,278
Financial assets classified as held for trading		
Derivative financial instruments	**10,134**	14,104
Available-for-sale financial assets		
Publicly traded participating shares	**552,399**	452,842
Private corporation shares and units	**57,627**	56,922
Bonds and other debt securities	**123,698**	157,161
	733,724	666,925
Total investments	**1,145,522**	1,042,307
Less current portion, net of the allowance	**111,587**	92,485
	1,033,935	949,822

Investments denominated in U.S. dollars totalled C$103,279,000 as at March 31, 2013 (C$128,838,000 as at March 31, 2012) and investments denominated in other currencies totalled C$45,058,000 as at March 31, 2013 (C$53,140,000 as at March 31, 2012).

(1) At all times during the yield waiver period, certain other limited partners have a call option on certain units held by the Corporation, at an initial cost plus 6% return per year from their purchase date. As of the third fiscal year following the yield waiver period, these other limited partners also have a call option on units held by the Corporation at a cost equal to the higher of fair value or carrying value.

ASSET-BACKED TERM NOTES

The Corporation holds variable-rate term notes, the notional value of which breaks down as follows:

	2013	2012
MAV 2		
Synthetic assets		
Class A-1	**51,129**	50,806
Class A-2	**32,408**	32,400
Class B	**5,883**	5,881
Class C	**2,771**	2,760
Ineligible assets	**3,132**	6,178
	95,323	98,025
MAV 3		
Traditional assets	**42**	191
Ineligible assets	**10,331**	10,641
	10,373	10,832
Other term notes backed with restructured assets	**3,896**	3,896
	109,592	112,753

As at March 31, 2013, the Corporation valued the variable rate term notes. The Corporation reviewed its assumptions to consider new information made available and changes in the conditions of credit markets. The Corporation believes that there is a sufficiently active secondary market to use the posted values in establishing the fair values of the class A-1, A-2, B and C notes. For vehicles made up exclusively of traditional assets and ineligible assets, fair value is based on the value determined by the asset manager of the restructured vehicles.

Following the new valuation, the Corporation recognized an increase in value of $13,136,000 as at March 31, 2013 ($2,887,000 as at March 31, 2012). This increase in fair value mainly reflects the increased value of class A-1, A-2, B and C notes on the secondary markets.

The estimated fair value of asset-backed term note (ABTN) investments is not likely to be indicative of the final value of the notes. Although the Corporation considers the estimated fair values recorded to be reasonable, changes to the main assumptions, particularly changes in the fair value of the underlying assets, changes in the liquidity of the A-1, A-2, B and C notes in the secondary markets, and the impact of a significant and prolonged economic slowdown could have a significant impact on the fair value of the new notes in coming years. The respective market values of the class A-1, A-2, B and C notes is the most significant factor in the Corporation's valuation process. Possible changes in these values would result in changes in the estimated fair value of ABTN investments. A 10% change in the average market value of the A-1, A-2, B and C notes would increase (or decrease) fair value by approximately $7,915,000 as at March 31, 2013 ($6,846,000 as at March 31, 2012).

The change in ABTN balances in the Consolidated Statement of Financial Position and the composition of Net change in investments at fair value through profit or loss in the Consolidated Statement of Income are as follows:

	Notional value	Provision for impairment	Total
Balance as at April 1, 2011	112,637	(40,631)	**72,006**
Repayment of capital	(798)	–	**(798)**
Net change in fair value (Note 6)	–	2,887	**2,887**
Foreign exchange gain (loss)	914	(436)	**478**
Balance as at March 31, 2012	**112,753**	**(38,180)**	**74,573**
Repayment of capital	(610)	–	**(610)**
Net change in fair value (Note 6)	–	13,136	**13,136**
Write-offs	(3,140)	3,140	**–**
Foreign exchange gain (loss)	590	(278)	**312**
Balance as at March 31, 2013	**109,593**	**(22,182)**	**87,411**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19. ASSETS HELD FOR SALE

No assets were held for sale as at March 31, 2013.

On April 2, 2012, a subsidiary of the Corporation sold 49.96% of its interest in Aluminerie Alouette for US$186.0 million. A gain of $97.6 million was recognized during the year ended March 31, 2013 in respect of this transaction.

The main classes of assets held for sale and liabilities related to assets held for sale in respect of these transactions are:

	2012
Assets held for sale	
Cash and cash equivalents	1,113
Accounts receivable	1,682
Inventories	12,576
Prepaid expenses	867
Property, plant and equipment	94,179
Intangible assets	4,771
	115,188
Liabilities related to assets held for sale	
Accounts payable and accrued liabilities	4,342
Provisions	2,111
Long-term debt	4,868
Deferred grants	8,059
Defined benefit liability	7,645
	27,025
Accumulated other comprehensive income related to groups of assets held for sale	
Cash flow hedges	720
Translation differences	3,697
Actuarial gains and losses	4,072
	8,489

20. INTERESTS IN EQUITY-ACCOUNTED ENTITIES

The following table shows the details of the Corporation's share of net income and assets and liabilities of equity-accounted entities recognized in net income and in the Statement of Financial Position:

	2013	2012
Share of net income of equity-accounted entities		
Joint ventures	18,229	41,357
Associates	(3,885)	(7,213)
	14,344	34,144

	2013	2012
Interests in equity-accounted entities		
Joint ventures	325,633	307,389
Associates	105,316	146,057
	430,949	453,446

A) JOINT VENTURES

The Corporation holds investments in the following joint ventures:

	Year-end	2013	2012
CEPSA Química Bécancour Inc.	December 31	**49.00%**	49.00%
CEPSA Química Montréal L.P.	December 31	**49.00%**	49.00%
Parachem Chemicals L.P.	December 31	**49.00%**	49.00%
Krugyar Wayagamack inc.	December 31	**49.00%**	49.00%

The following tables show the Corporation's share of net income and assets and liabilities of joint ventures, excluding consolidation adjustments:

	2013	2012
Revenues	**673,473**	677,245
Expenses	**666,824**	646,228
Net income	**6,649**	31,017

	2013	2012
Current assets	**257,986**	261,967
Non-current assets	**305,048**	316,366
Current liabilities	**95,136**	113,635
Non-current liabilities	**90,509**	89,090

The Corporation did not account for losses totalling $8,542,000 as at March 31, 2013 ($8,233,000 as at March 31, 2012) since it has no obligations related to these losses. Unrecognized cumulative losses totalled $38,972,000 as at March 31, 2013 ($30,430,000 as at March 31, 2012).

The Corporation has not made any capital commitments with respect to its investments in joint ventures nor has it made any commitments jointly with other joint venturers. The Corporation has guaranteed the lease commitments of its joint ventures in an amount of $10,081,000 as at March 31, 2013 ($9,898,000 as at March 31, 2012).

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B) ASSOCIATES

The Corporation holds investments in the following associates:

	Year-end	2013	2012
Congebec Logistic Inc.	December 31	**31.46%**	31.46%
Specialized Packaging Group L.P.	May 31	**35.00%**	35.00%
Groupe Le Massif inc.	November 30	**29.17%**	29.17%
Acceo Holding Inc.	December 31	**28.67%**	28.67%
Groupe Varitron inc.	August 31	**28.30%**	28.30%
Médiamed Technologies inc.	December 31	**29.30%**	30.07%
ALT Canada Investment Partnership, L.P.[1]	December 31	**12.43%**	12.43%
Abilis Solutions Inc.	October 31	**23.68%**	23.68%
Stornoway Diamond Corporation	April 30	**35.41%**	33.38%
A.R. Global Vision Ltd.	January 31	**25.88%**	27.91%

(1) Although it holds less than 20% of the voting rights of ALT Canada Investment Partnership, L.P., the Corporation has concluded that it exercises significant influence over this investment due to its right to veto important decisions of this associate.

The estimated market value of interests in publicly listed associates amounted to $37,360,000 as at March 31, 2013 ($46,398,000 as at March 31, 2012).

The following tables show the Corporation's share of net income and assets and liabilities of interests in associates, excluding consolidation adjustments:

	2013	2012
Revenues	**139,390**	102,547
Net income	**(4,354)**	(8,579)

	2013	2012
Total assets	**355,653**	280,189
Total liabilities	**181,344**	115,569

The Corporation's share of these associates' capital commitments was $9,256,000 as at March 31, 2013 ($11,333,000 as at March 31, 2012).

During the year ended March 31, 2013, the Corporation measured the recoverable amount of some of its interests that showed objective evidence of impairment, that is, a significant decrease in market value for one associate and delays in business plan execution for the others. The Corporation estimated the recoverable amount of each of these interests using value in use and before-tax discount rates ranging from 10.5% to 16.7% (rates ranging from 11% to 16.7% were used to estimate recoverable amounts as at March 31, 2012). Impairment losses totalling $45,689,000 as at March 31, 2013 ($61,156,000 as at March 31, 2012) were recognized under Impairment losses on investments in net income (Note 7).

21. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Material and equipment	Roads and bridges	Assets under construction	Other	Total
Cost	32,821	48,944	256,900	13,718	3,998	28,193	384,574
Accumulated amortization	–	17,577	92,779	3,548	–	19,556	133,460
Balance as at April 1, 2011	32,821	31,367	164,121	10,170	3,998	8,637	251,114
Amortization for the year		(1,680)	(13,207)	(710)		(2,877)	(18,474)
Acquisitions	–	5,934	21,226	–	5,446	2,901	35,507
Acquisitions by way of business combinations	–	–	227	–	–	187	414
Transferred to assets held for sale	(177)	(11,587)	(80,778)	–	(1,637)	–	(94,179)
Foreign exchange impact	10	639	4,207	–	97	–	4,953
Disposals	(1,838)	–	(89)	–	–	(7)	(1,934)
Other changes	–	(1,360)	5,375	–	(6,264)	(291)	(2,540)
Balance as at March 31, 2012	(2,005)	(8,054)	(63,039)	(710)	(2,358)	(87)	(76,253)
Cost	30,816	38,028	163,130	13,616	1,640	29,949	277,179
Accumulated amortization	–	14,715	62,048	4,156	–	21,399	102,318
Balance as at March 31, 2012	**30,816**	**23,313**	**101,082**	**9,460**	**1,640**	**8,550**	**174,861**
Amortization for the year	–	(1,446)	(10,386)	(702)	–	(2,232)	(14,766)
Acquisitions	85	800	4,597	–	1,675	3,083	10,240
Impairment losses	(2,220)	–	–	–	–	–	(2,220)
Foreign exchange impact	3	179	1,151	–	39	–	1,372
Disposals	(902)	(2)		–		(1,036)	(1,940)
Other changes	–	(728)	1,509	–	(888)	(163)	(270)
Balance as at March 31, 2013	(3,034)	(1,197)	(3,129)	(702)	826	(348)	(7,584)
Cost	27,782	38,383	172,024	13,616	2,466	31,381	285,652
Accumulated amortization	–	16,267	74,071	4,858	–	23,179	118,375
Balance as at March 31, 2013	**27,782**	**22,116**	**97,953**	**8,758**	**2,466**	**8,202**	**167,277**

During the year ended March 31, 2013, the Corporation recognized impairment losses on certain parcels of land in the amount of $2,220,000 ($0 as at March 31, 2012) after the allowable cut and forest cover stage were revised downwards following the implementation of a new forest management plan.

Amortization expense and impairment losses were allocated to the following items in the Consolidated Statement of Income:

	2013	2012
Cost of sales	**14,156**	14,994
General expenses	**1,581**	1,954
Administrative expenses	**1,249**	1,526
	16,986	18,474

As at March 31, 2013, assets under construction consisted of buildings in the amount of $326,000 ($246,000 as at March 31, 2012) and material and equipment totalling $2,140,000 ($1,394,000 as at March 31, 2012). Expenses incurred up to March 31, 2013 for construction of assets did not include any capitalized borrowing costs.

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22. BIOLOGICAL ASSETS

	Forest territories
Balance as at April 1, 2011	68,642
Acquisitions	337
Disposals	(82)
Change in fair value less costs to sell	(248)
Balance as at March 31, 2012	**65,649**
Acquisitions	180
Disposals	(93)
Change in fair value less costs to sell	5,083
Balance as at March 31, 2013	**70,819**

Harvestable timber amounts to 455,158 hectares (452,116 in 2012) comprising 81% softwood plantations (79% in 2012) and 19% hardwood plantations (21% in 2012) broken down into the following stages of forest cover:

	2013	2012
Mature forest (age class: 70 years or older)	**26%**	16%
Intermediate forest (age class: 50 to 70 years)	**14%**	26%
Young forest (age class: 10 to 30 years)	**10%**	25%
Regenerating	**32%**	17%
Unproductive and non-forested	**18%**	16%

The merchantable volume of standing wood is approximately 24,392,000 m^3 (20,400,000 m^3 in 2012). During the year, the Corporation harvested 131,854 m^3 (134,610 m^3 in 2012). According to the last forest management plan prepared by management, the annual cut capacity is 444,650 m^3 (509,064 m^3 in 2012). According to management, the Corporation's cut methods and forest management can maintain the annual cut capacity at a stable level. During the 2013 annual felling period, the Corporation reforested with 578,082 plants (676,410 plants in 2012) and performed pre-commercial thinning work on 977 hectares (1,446 hectares in 2012).

As at March 31, 2013, the fair value less costs to sell of the harvested agricultural products was $5,606,000 ($5,590,000 as at March 31, 2012).

A) DETERMINING FAIR VALUE

The fair value of harvestable timber was determined by a forest engineer, a valuation expert who is independent of the Corporation. A discounted cash flow method was used. The fair value of harvestable timber was determined on the basis of existing forest cutting plans, lumber prices and cutting costs, based on the following assumptions:

- A discount rate of 6% based on the implied rates of return of recent transactions;
- A market value for standing wood of $7.51/$m^3$ to $14.25/$m^3$ ($9.37/$m^3$ to $14.50/$m^3$ in 2012), based in particular on current selling prices and felling costs as at March 31, 2013;
- An accelerated liquidation of mature wood inventories of 689,187 m^3 per year for 10 years (757,730 m^3 in 2012), or until depletion of harvestable inventories.

This fair value was compared and adjusted on the basis of an analysis of recent sales of comparable properties (from 2000 to today).

B) FINANCIAL RISKS

In the normal course of operations, the Corporation is exposed to a certain number of risks related to its harvestable timber plantations. The Corporation's operations are governed by enacted laws and regulations concerning, in particular, environmental protection. The Corporation has established environmental policies and procedures in accordance with applicable environmental and other laws. The Corporation has obtained ISO-14001 certification (environmental management). Management assesses environmental risks on a continuing basis in order to ensure that existing systems allow for proper management of these risks.

The Corporation is exposed to risks arising from changes in lumber prices and sales volumes. Where practicable, the Corporation manages this risk by coordinating its cut volumes with market supply and demand. Management regularly evaluates market trends in order to ensure that its price structure follows market trends and that planned cut volumes are consistent with expected demand.

Harvestable timber plantations are exposed to the risk of damage caused by climate change, diseases, forest fires and other forces of nature. The Corporation has implemented a procedure for monitoring and mitigating these risks, including regular inspections of the health of its forests and analyses of the industry's known parasites and diseases.

23. INTANGIBLE ASSETS

	Mining properties	Licences and other	Electricity purchase agreement	Total
Cost	20,895	23,652	16,394	60,941
Accumulated amortization	–	17,385	6,602	23,987
Balance as at April 1, 2011	20,895	6,267	9,792	36,954
Amortization for the year	–	(1,559)	(698)	(2,257)
Internally generated acquisitions	8,356	–	–	8,356
Other acquisitions	–	406	–	406
Acquisitions by way of business combinations	–	5,010	–	5,010
Transferred to assets held for sale	–	–	(4,771)	(4,771)
Write-off and impairment loss	(589)	–	–	(589)
Reversal of impairment loss	963	–	–	963
Disposals	591	–	–	591
Other changes	(802)	(42)	271	(573)
	8,519	3,815	(5,198)	7,136
Cost	29,414	28,987	8,434	66,835
Accumulated amortization	–	18,905	3,840	22,745
Balance as at March 31, 2012	29,414	10,082	4,594	44,090
Amortization for the year	–	(1,799)	(444)	(2,243)
Internally generated acquisitions	9,607	–	–	9,607
Other acquisitions	12,000	2,505	–	14,505
Write-off and impairment loss	(597)	–	–	(597)
Reversal of impairment loss	193	–	–	193
Other changes	(22)	(30)	68	16
	21,181	676	(376)	21,481
Cost	50,595	31,492	8,573	90,660
Accumulated amortization	–	20,734	4,355	25,089
Balance as at March 31, 2013	50,595	10,758	4,218	65,571

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The amortization expense and impairment losses were allocated to the following items in the Consolidated Statement of Income:

	2013	2012
Cost of sales	721	975
General expenses	1,269	100
Administrative expenses	657	808
	2,647	1,883

The following table summarizes the financial information on the Corporation's mining resource exploration and evaluation activities:

	2013	2012
Total assets	102,355	101,344
Total liabilities	31,850	10,302
Operating expenses	(36,845)	70,468
Cash flows related to:		
Operating activities	(4,085)	600
Investing activities	(32,168)	(9,345)

24. OTHER FINANCIAL ASSETS

	2013	2012
Long term interest receivable	–	3,227
Other	532	712
	532	3,939
Less short-term portion	–	142
	532	3,797

25. BANK LOANS

The Corporation has a secured bank loan bearing interest at prime rate plus 3%. This bank loan is secured by a movable hypothec without delivery on trade accounts receivable, the net carrying amount of which totalled $21,288,000 as at March 31, 2013 ($20,421,000 as at March 31, 2012), and on inventories, the net carrying amount of which totalled $24,737,000 ($24,723,000 as at March 31, 2012).

As at March 31, 2013, the Corporation had bank lines of credit in amounts authorized but not used totalling $219,963,000 ($187,645,000 as at March 31, 2012) bearing interest at the lender's base rate and a prime rate of 3%, renewable annually. It had also issued letters of credit totalling $114,417,000 ($20,328,000 as at March 31, 2012).

26. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
Trade accounts payable and accrued liabilities	71,101	82,985
Other	1,243	1,727
	72,344	84,712

27. LONG-TERM DEBT

	2013	2012
Non-interest bearing notes – immigrant investors, maturing from April 2013 to March 2018, face value of $4.3 billion (effective rates of 1.77% to 4.16%)[1]	4,000,564	3,532,415
Due to the Economic Development Fund, non-interest bearing and repayable no later than 2033 (effective rate of 8.4%)	3,323	3,066
Due to the Economic Development Fund, non-interest bearing and repayable no later than 2017 (effective rate of 9.2%)	1,977	1,810
Other	621	609
	4,006,485	3,537,900
Less current portion	528,521	663,717
	3,477,964	2,874,183

(1) Repayment of the principal is guaranteed by the Government of Québec.

Contractual principal repayments on long term borrowings are as follows:

	2013	2012
Under 1 year	536,632	677,024
1 to 2 years	857,790	538,963
2 to 3 years	842,927	860,935
3 to 4 years	876,863	846,487
4 to 5 years	1,157,586	877,200
Over 5 years	3,323	4,876
	4,275,121	3,805,485

28. DEFERRED GRANTS

Balance as at April 1, 2011	22,656
Grants received during the period	121
Amortization for the year	(751)
Write-off	(160)
Transfer of grant to liabilities related to assets held for sale	(8,059)
Other	212
Balance as at March 31, 2012	14,019
Grants received during the period	682
Amortization for the year	(478)
Write-off	(108)
Other	3
Balance as at March 31, 2013	14,118

No conditions are attached to government grants received by certain subsidiaries of the Corporation for the acquisition of property, plant and equipment and intangible assets.

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29. PROVISIONS

	Site restoration	Provision on commitments	Litigation and other	Total
Balance as at April 1, 2011	11,044	–	2,110	13,154
Provisions taken	561	–	–	561
Provisions used	(1,186)	–	(1,111)	(2,297)
Provisions reversed	159	–	(638)	(479)
Impact of accretion	(191)	–	5	(186)
Transferred to assets held for sale	(2,111)	–	–	(2,111)
Balance as at March 31, 2012	**8,276**	**–**	**366**	**8,642**
Provisions taken	70	3,780	26	3,876
Provisions used	(489)	–	(78)	(567)
Provisions reversed	616	–	(63)	553
Impact of accretion	525	–	5	530
Balance as at March 31, 2013	**8,998**	**3,780**	**256**	**13,034**
Balance as at March 31, 2012				
Current	990	–	89	1,079
Non current	7,286	–	277	7,563
	8,276	**–**	**366**	**8,642**
Balance as at March 31, 2013				
Current	1,302	–	–	1,302
Non current	7,696	3,780	256	11,732
	8,998	**3,780**	**256**	**13,034**

Site restoration

Provisions taken for the retirement of capital assets stem mainly from the Corporation's obligation to decontaminate and replace assets used in production and to restore industrial sites such that they are compliant with applicable laws and regulations. The Corporation believes that the non-discounted payments that will be needed to fulfil its obligation over a period of 1 to 25 years, which is the estimated period of the useful lives of the assets to be replaced, total $9,736,000 as at March 31, 2013 ($9,882,000 as at March 31, 2012). The non-discounted payments required to settle these obligations are as follows:

2014	1,315
2015	1,343
2016	1,253
2017	3,953
2018 and thereafter	1,872
	9,736

Cash flow discount rates are as follows:

2014	1.60% – 4.74%
2015	1.60% – 4.42%
2016	1.60% – 4.28%
2017	1.60% – 4.18%
2018 and thereafter	1.60% – 4.28%

30. GUARANTEES, NET OF THE GUARANTEE LIABILITY

	2013	2012
Guarantees		
Loan	**408,946**	445,883
Financial commitment	**131,857**	108,934
	540,803	554,817
Guarantee liability		
Unamortized balance of initial guarantee liability		
Loan guarantees	**(41,698)**	(46,803)
Financial commitment guarantees	**(14,230)**	(16,517)
	(55,928)	(63,320)
Allowance for losses (Note 17)		
Loan guarantees	**(48,824)**	(48,225)
Financial commitment guarantees	**(21,875)**	(21,123)
	(70,699)	(69,348)
Guarantee liability	**(126,627)**	(132,668)
Guarantee, net of the guarantee liability	**414,176**	422,149

Guarantee balances mature as follows:	2013	2012
Under 1 year	**76,385**	69,637
1 to 2 years	**48,350**	64,838
2 to 3 years	**39,078**	42,470
3 to 4 years	**58,867**	55,905
4 to 5 years	**74,551**	72,687
Over 5 years	**243,572**	249,280
	540,803	554,817

Guarantees denominated in U.S. dollars totalled $3,900,000 as at March 31, 2013 ($3,181,000 as at March 31, 2012), and the unamortized balance of the initial guarantee liability denominated in U.S. dollars totalled $400,000 ($442,000 as at March 31, 2012).

31. EMPLOYEE BENEFITS

Defined contribution plans

The Corporation's employees participate in the Government and Public Employees Retirement Plan (RREGOP), the Retirement Plan for Senior Officials (RPSO) or the Pension Plan of Management Personnel (PPMP). Government pension plans are defined benefit plans and have retirement and death coverage. Investissement Québec's obligations under these government plans are limited to employer contributions. The Corporation also offers its employees other pension plans with employer contributions based on a percentage of participating employees' salary.

The Corporation's contributions to defined contribution plans amounted to $4,395,000 as at March 31, 2013 ($2,770,000 as at March 31, 2012) and were charged to net income.

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Defined benefit plans

The Corporation offers contributory and non-contributory defined benefit pension plans to its employees based on years of service and average final earnings. The Corporation also offers other employee benefits, consisting mainly of group insurance plans, which, however, are not funded. The Corporation expects to pay $3,986,000 in contributions ($3,290,000 as at March 31, 2012) to all these plans over the coming year.

	Pension plans	Other plans	2013	2012
Defined benefit obligations				
Balance, beginning of year	92,862	13,228	**106,090**	80,528
Disposals	(14,203)	(2,771)	**(16,974)**	–
Current service cost for the period	3,187	433	**3,620**	3,631
Employee contributions	744	–	**744**	1,038
Interest income	3,489	461	**3,950**	4,439
Benefits paid	(3,691)	(171)	**(3,862)**	(2,816)
Actuarial gains and losses	2,517	(435)	**2,082**	16,422
Past service cost	1,966	(5)	**1,961**	2,848
Other	16	–	**16**	–
Balance, end of year	86,887	10,740	**97,627**	106,090
Fair value of plan assets				
Balance, beginning of year	68,711	–	**68,711**	58,873
Disposals	(9,329)	–	**(9,329)**	–
Expected return on plan assets	3,548	–	**3,548**	4,312
Employer contributions to the plans	3,583	10	**3,593**	9,508
Employee contributions to the plans	744	–	**744**	1,038
Benefits paid	(3,691)	(10)	**(3,701)**	(2,816)
Actuarial gains and losses	1,651	–	**1,651**	(2,181)
Other	(9)	–	**(9)**	(23)
Balance, end of year	65,208	–	**65,208**	68,711

	Pension plans	Other plans	2013	2012
Defined benefit liability				
Defined benefit obligations				
Funded plans	(80,119)	–	**(80,119)**	(82,831)
Unfunded plans	(6,768)	(10,741)	**(17,509)**	(23,259)
Fair value of plan assets	65,209	–	**65,209**	68,711
Other	–	48	**48**	60
Effect of the asset ceiling	(2,400)	–	**(2,400)**	–
Reclassification to liabilities related to assets held for sale	–	–	**–**	7,645
	(24,078)	(10,693)	**(34,771)**	(29,674)

Plan assets are composed of the following:

	2013	2012
Shares	**61.2%**	59.3%
Bonds	**33.3%**	34.1%
Other	**5.5%**	6.6%
	100.0%	100.0%
Actual return on plan assets	**8.5%**	2.9%

Defined benefit plan expense consists of the following:

			2013	2012
	Pension plans	Other plans	Total	Total
Current service cost	3,212	433	**3,645**	3,631
Interest expense	3,489	461	**3,950**	4,439
Expected return on plan assets	(3,548)	–	**(3,548)**	(4,312)
Past service cost	1,966	5	**1,971**	2,848
Other	–	–	**–**	(158)
	5,119	899	**6,018**	6,448

Defined benefit plan expense was allocated to the following items in the Consolidated Statement of Income:

	2013	2012
Cost of sales	**1,034**	1,627
General expenses	**418**	564
Administrative expenses	**4,566**	4,267
	6,018	6,448

The following amounts were recognized in other comprehensive income:

			2013	2012
	Pension plans	Other plans	Total	Total
Balance, beginning of year	(24,365)	(2,376)	**(26,741)**	(8,138)
Actuarial gains (losses) for the year	(867)	435	**(432)**	(18,603)
Effect of the asset ceiling	(2,400)	–	**(2,400)**	–
Balance, end of year	(27,632)	(1,941)	**(29,573)**	(26,741)

The weighted averages of significant actuarial assumptions as at March 31 were as follows:

	2013		2012	
	Pension plans %	Other plans %	Pension plans %	Other plans %
Defined benefit obligations				
Discount rate	**4.17%**	**4.13%**	4.41%	4.46%
Rate of compensation increase	**3.31%**	**3.31%**	3.18%	3.12%
Cost of benefits				
Discount rate	**4.31%**	**4.30%**	5.38%	5.14%
Long-term rate of return on assets	**5.96%**	**N/A**	6.81%	N/A
Rate of compensation increase	**3.31%**	**3.31%**	3.16%	3.15%

The expected long-term return on assets was determined using a stochastic tool that generates multiple scenarios of expected returns over long periods of time for different asset classes. Costs paid by the plan are subtracted from the expected return.

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For measurement purposes, the weighted average of the annual medical cost trend rate for the other plans has been set at 5.1% (5.21% as at March 31, 2012). A 1% change in the medical cost trend rate as at March 31, 2013 would have the following impacts:

	1% increase	1% decrease
Impact on benefit cost	180	(134)
Impact on defined benefit obligation	1,848	(1,078)

32. OTHER LIABILITIES

	2013	2012
Deferred revenues	3,816	5,249
Commitment liability	201	1,122
Derivative financial instruments	929	–
Other	702	–
	5,648	6,371
Less current portion	157	–
	5,491	6,371

33. SHARE CAPITAL

Authorized, par value of $1,000 per share:
4,000,000 common shares, voting, totalling $4 billion

	2013	2012
Issued and fully paid		
3,073,340 common shares	3,073,340	3,073,340

On April 20, 2011, the Corporation issued 400,000 common shares totalling $400 million.

34. CAPITAL MANAGEMENT

The Corporation's capital management objectives are as follows:

- have sufficient financial flexibility to support its portfolio of businesses and other investments;
- contribute to the development of Québec businesses through investments and financing.

In managing its capital, the Corporation considers the risk and liquidity characteristics of its investments and financing. To maintain or adjust its capital structure, the Corporation may issue new shares, issue or repay debts, or sell assets to improve its flexibility and financial performance.

The Corporation's capital is made up of the bank loans and long-term debt of its subsidiaries and of its equity. The Corporation is not subject to any external capital requirement except for certain restrictive covenants of its subsidiaries' borrowings (see Note 25).

35. ADDITIONAL CASH FLOW INFORMATION

Changes in assets and liabilities related to operating activities were as follows:

	2013	2012
Accounts receivable	(9,889)	(4,566)
Inventories	2,371	(8,644)
Prepaid expenses	(326)	(565)
Accounts payable and accrued liabilities	(12,226)	(3,918)
	(20,070)	(17,693)

Property, plant and equipment in the amounts of $556,000 ($1,404,000 as at March 31, 2012) and $284,000 ($178,000 as at March 31, 2012), respectively, were included in accounts payable and accrued liabilities and long-term debt.

36. CONTINGENCIES

Various judicial and extrajudicial proceedings instituted by or against the Corporation are pending. In the Corporation's opinion, the outcome of these proceedings will not have a significant impact on its financial position or results.

37. COMMITMENTS

A) OPERATING LEASES

The Corporation is committed under non-cancellable operating leases, mainly to rent office space. These leases generally have terms of 1 to 6 years and renewal options thereafter. Minimum lease payments are as follows:

	2013	2012
Under 1 year	1,634	3,770
1 to 5 years	4,787	12,584
Over 5 years	1	127
	6,422	16,481

An amount of $6,715,000 ($7,339,000 as at March 31, 2012) in respect of operating leases was recognized under administrative expenses in net income.

B) FINANCING AND INVESTMENT COMMITMENTS

The Corporation's financing commitments, entered into in the normal course of business, are shown in the following table and are grouped into two categories. The first consists of financing agreements authorized by the Corporation that have not yet been accepted by clients. The second consists of financing agreements accepted by clients, i.e., amounts not disbursed on loans, shares and units; amounts for which disbursement has not been authorized for financial contributions; and amounts that have not yet been used for guarantees. In addition, under agreements with partners, the Corporation has undertaken to invest, in the form of limited partnership units, in the FIER-Regions, in the mutual fund of FIER Partners, in the Support Funds and in other venture capital organizations.

The total value of these commitments does not necessarily represent the Corporation's future cash requirements, as several will expire or may be cancelled without resulting in an outflow of cash.

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Commitments are detailed as follows:

	2013	2012
Financing commitments		
Authorized agreements		
Loans	44,776	14,667
Guarantees	16,162	41,517
Financial contributions	2,305	1,334
	63,243	57,518
Agreements accepted by clients		
Loans[1][2][3]	273,724	229,757
Guarantees	148,296	178,608
Financial contributions	135,976	146,938
	557,996	555,303
Investment commitments		
Units of limited partnerships		
Regional FIER entities	1,272	4,272
FIER Partners, limited partnership	34,467	42,984
Support Funds	2,000	2,000
Venture capital organizations	166,243	197,339
	203,982	246,595
	825,221	869,416

(1) Including $14.7 million ($2.4 million as at March 31, 2012) for which the fixed contractual interest rates range from 3.40% to 14.00% (4.33% to 10.00% as at March 31, 2012) with terms ranging from April 2014 to November 2037 (April 2012 to March 2022 as at March 31, 2012).

(2) Including an amount of $150.0 million with variable interest rates ($127.3 million as at March 31, 2012).

(3) Including an amount of $100.0 million with undetermined interest rates as at March 31, 2013 ($100.0 million as at March 31, 2012).

C) LONG-TERM COMMITMENTS

Under non-cancellable contracts, the Corporation has undertaken to acquire, over the coming years, property, plant and equipment totalling $15,272,000 as at March 31, 2013 ($1,998,000 as at March 31, 2012) and raw materials and other materials totalling $9,976,000 as at March 31, 2013 ($9,922,000 as at March 31, 2012).

D) SALES OF BUSINESSES

When a business is sold in whole or in part, in addition to any potential indemnification arising from the failure to perform covenants or from non-compliance with a declaration of guarantee, the Corporation may agree to provide a guarantee against any claim resulting from past activities. In general, the terms and conditions and amount of such indemnification are limited by the agreement. The Corporation did not recognize an amount in the Consolidated Statement of Financial Position for these sales because it is not probable that an outflow of resources will be required to settle the obligation and such amount cannot be reliably estimated.

E) OTHER COMMITMENTS

The Corporation has undertaken to pay fees totalling $39,819,000 as at March 31, 2013 ($39,084,000 as at March 31, 2012) to financial intermediaries for canvassing immigrant investors, targeting companies for referral and closing immigrant investor files.

38. FINANCIAL INSTRUMENTS

A) CARRYING VALUE OF FINANCIAL INSTRUMENTS BY CATEGORY

Financial instruments are recognized in the Consolidated Statement of Financial Position at fair value or amortized cost depending on their classification. The following table provides a breakdown of the carrying value of financial instruments in each category:

2013

	Classified at fair value through profit or loss	Designated at fair value through profit or loss	Available for-sale financial assets	Loans and receivables	Other financial liabilities	Total
Financial assets						
Cash and cash equivalents	–	23,795	–	109,778	–	133,573
Temporary investments	–	–	–	533,231	–	533,231
Accounts receivable	339	–	–	85,769	–	86,108
Guarantee fees receivable	–	–	–	30,068	–	30,068
Notes receivable from the Government of Québec	–	–	–	4,028,350	–	4,028,350
Loans	–	–	–	648,536	–	648,536
Investments	10,135	401,663	733,724	–	–	1,145,522
Other financial assets	–	–	–	532	–	532
	10,474	425,458	733,724	5,436,264	–	6,605,920
Financial liabilities						
Bank overdrafts	–	–	–	–	3,110	3,110
Bank loans	–	–	–	–	3,126	3,126
Accounts payable and accrued liabilities	–	–	–	–	72,344	72,344
Long-term debt	–	–	–	–	4,006,485	4,006,485
Non-interest bearing advances from the Government of Québec	–	–	–	–	415,317	415,317
Guarantee liability	–	–	–	–	126,627	126,627
Other liabilities	929	–	–	–	–	929
	929	–	–	–	4,627,009	4,627,938

2012

	Classified at fair value through profit or loss	Designated at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other financial liabilities	Total
Financial assets						
Cash and cash equivalents	–	3,188	–	231,777	–	234,965
Temporary investments	–	1,152	–	392,246	–	393,398
Accounts receivable	710	–	–	80,560	–	81,270
Guarantee fees receivable	–	–	–	26,801	–	26,801
Notes receivable from the Government of Québec	–	–	–	3,558,290	–	3,558,290
Loans	–	–	–	573,440	–	573,440
Investments	13,746	361,636	666,925	–	–	1,042,307
Other financial assets	–	–	–	3,939	–	3,939
	14,456	365,976	666,925	4,867,053	–	5,914,410
Financial liabilities						
Bank overdrafts	–	–	–	–	2,448	2,448
Bank loans	–	–	–	–	5,855	5,855
Accounts payable and accrued liabilities	–	–	–	–	84,712	84,712
Long-term debt	–	–	–	–	3,537,900	3,537,900
Non-interest bearing advances from the Government of Québec	–	–	–	–	368,817	368,817
Guarantee liability	–	–	–	–	132,668	132,668
	–	–	–	–	4,132,400	4,132,400

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B) FAIR VALUE OF FINANCIAL INSTRUMENTS

Determining fair value involves establishing the amount at which financial instruments could be traded in an arm's length transaction between willing parties who are under no compulsion to act. Given the role that judgment plays in the application of many acceptable valuation and estimation techniques for calculating fair value, these techniques are not necessarily comparable among different entities. Fair value is based on market conditions at a given point in time and therefore does not necessarily reflect the future fair value of the instruments. It should not be interpreted as a realizable amount if the instruments were to be settled immediately.

At the time of initial recognition, the fair value of a financial instrument is generally equal to the consideration that would be agreed upon for the instrument in an arm's length transaction between willing parties who are under no compulsion to act. The best evidence of fair value is quoted market prices. The Corporation uses quoted market prices (bid/ask prices), when available, to determine the fair value of financial instruments. When markets are non-existent or considered not sufficiently liquid, the Corporation determines fair value using valuation techniques that rely, wherever possible, on observable market inputs. These valuation techniques consist, in particular, of discounted cash flow analyses, pricing models and other valuation methods commonly used in the market.

When financial instruments accounted for at fair value are subsequently measured, quoted prices in an active market represent the best evidence of fair value, and when they are available, the Corporation uses them to measure financial instruments. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of a financial asset traded in an active market generally reflects the bid price and that of a financial liability traded in an active market, the ask price. If the market for a financial instrument is not active, the Corporation establishes fair value using a valuation technique drawing primarily on observable market inputs. Such valuation techniques include using available information on recent market transactions, reference to the current fair value of a comparable financial instrument, discounted cash flow analysis and all other valuation techniques commonly used by market participants where it has been demonstrated that the technique provides reliable estimates.

In cases where fair value is determined using pricing models, the Corporation makes assumptions about the amount, the timing of estimated future cash flows and the estimated discount rates used. These assumptions are based mainly on observable factors in external markets such as risk-free yield curves, volatility factors and credit risk. For loans and receivables, pricing models are based on certain non-observable market assumptions such as the determination of future variable repayments. Replacing these assumptions with others could result in different fair values.

The following table shows the carrying values and estimated fair values of the financial instruments appearing in the Consolidated Statement of Financial Position, determined using the valuation methods and assumptions described below.

	2013		2012	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents[1]	**133,573**	**133,573**	234,965	234,965
Temporary investments[2]	**533,231**	**533,231**	393,398	393,398
Accounts receivable[1]	**86,108**	**86,108**	81,270	81,270
Guarantee fees receivable[3]	**30,068**	**31,258**	26,801	28,142
Notes receivable from the Government of Québec[4]	**4,028,350**	**4,114,617**	3,558,290	3,651,080
Loans[5]	**648,536**	**700,633**	573,440	646,657
Investments:[6]				
Asset backed term notes	**87,411**	**87,411**	74,573	74,573
Investments in venture capital organizations	**10,419**	**10,419**	10,512	10,512
Investments in venture capital organizations of associates	**303,834**	**303,834**	276,193	276,193
Derivative financial instruments	**10,134**	**10,134**	14,104	14,104
Publicly traded participating shares	**552,399**	**552,399**	452,842	452,842
Private corporation participating shares	**57,627**	**57,627**	56,922	56,922
Bonds and other debt securities	**123,698**	**123,698**	157,161	157,161
Other financial assets[1]	**532**	**532**	3,939	3,939
	6,605,920	**6,745,474**	5,914,410	6,081,728
Financial liabilities				
Bank overdrafts[1]	**3,110**	**3,110**	2,448	2,448
Bank loans[1]	**3,126**	**3,126**	5,865	5,865
Accounts payable and accrued liabilities[1]	**72,344**	**72,344**	84,712	84,712
Long term debt[7]	**4,006,485**	**4,098,847**	3,537,900	3,635,873
Non-interest bearing advances from the Government of Québec[1]	**415,317**	**415,317**	368,817	368,817
Guarantee liability[8]	**126,627**	**118,116**	132,668	127,595
Other liabilities	**929**	**929**		
	4,627,938	**4,711,789**	4,132,400	4,225,300

The fair value of financial instruments appearing in the Consolidated Statement of Financial Position is estimated using the following methods and assumptions.

(1) The fair value of these financial instruments approximates carrying value due to their short-term maturities.

(2) The fair value of temporary investments with maturities exceeding three months after the acquisition date is determined using market prices, established as the bid price as at the reporting date.

(3) The fair value of guarantee fees receivable is estimated by discounting cash flows at prevailing market interest rates for new receivables with substantially similar terms. For impaired receivables, fair value is deemed to be equivalent to carrying value, in accordance with the valuation methods described in Note 3 under Guarantees.

(4) The fair value of the notes receivable from the Government of Québec is measured by discounting cash flows using prevailing market interest rates for new notes with substantially similar terms.

(5) The fair value of loans is estimated by discounting cash flows using prevailing market interest rates for new loans with substantially similar terms. For impaired loans, fair value is deemed to be equivalent to carrying value, in accordance with the valuation methods described in Note 3 under Loans.

For loans at rates below market rates, the rate is established using risk-free yield curves plus a premium to reflect the client's risk. This risk premium is obtained by observing market credit spreads.

(6) The fair value of investments listed in an active market is determined using reported bid prices. In the absence of an active market, fair value is estimated using valuation techniques based on observable market data, in particular current market prices, the contractual prices of the underlying instruments and interest rate yield curves. The assumptions used to measure fair value of asset-backed term notes are set out in Note 18 while those used to measure the fair value of shares of private corporations, derivative financial instruments and investments in venture capital organizations are described in Note 3.

(7) The fair value of long-term debt is determined by discounting cash flows using prevailing market interest rates for debts with similar terms and risks.

(8) The fair value of the guarantee liability is estimated by discounting cash flows at guarantee fee rates and at prevailing market interest rates for new guarantees with substantially similar terms. For guarantees in the case of insolvent companies or where insolvency seems likely in the short term, fair value is equal to the guarantee liability, in accordance with the valuation methods described in Note 3 under Guarantees.

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C) FAIR VALUE HIERARCHY

The financial instruments recognized at fair value in the Consolidated Statement of Financial Position are classified using a hierarchy that reflects the significance of the inputs used in the valuations. Determination of fair value and the resulting hierarchy requires the use of observable market inputs whenever they exist. A financial instrument whose fair value was measured using a significant unobservable input is classified in the lowest level of the hierarchy. The fair value hierarchy consists of the following three levels:

- Level 1: Fair value is based on observable quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally consist of equity securities and derivative financial instrument contracts traded in an active market.
- Level 2: Fair value relies on valuation techniques based on inputs consisting of quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Fair value relies on valuation techniques based on significant unobservable market inputs.

The following table shows the fair value of the financial instruments recorded at fair value in the Consolidated Statement of Financial Position and classified using the measurement hierarchy previously described:

2013

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	12,203	11,592	–	23,795
Accounts receivable	–	339	–	339
Asset-backed term notes	–	87,411	–	87,411
Investments in venture capital organizations	1,856	–	8,563	10,419
Investments in venture capital organizations of associates	1,388	65	302,381	303,834
Derivative financial instruments	1,462	408	8,264	10,134
Publicly traded participating shares	552,399	–	–	552,399
Private corporation participating shares	–	–	57,627	57,627
Bonds and other debt securities	–	123,698	–	123,698
	569,308	223,513	376,835	1,169,656
Financial liabilities				
Other liabilities	–	929	–	929
	–	929	–	929

2012

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	1,193	1,995	–	3,188
Accounts receivable	–	710	–	710
Temporary investments	–	1,152	–	1,152
Asset-backed term notes	–	74,573	–	74,573
Investments in venture capital organizations	2,183	–	8,329	10,512
Investments in venture capital organizations of associates	–	–	276,193	276,193
Derivative financial instruments	402	–	13,702	14,104
Publicly traded participating shares	452,842	–	–	452,842
Private corporation participating shares	–	–	56,922	56,922
Bonds and other debt securities	–	157,161	–	157,161
	456,620	235,591	355,146	1,047,357

The change in the fair value of financial instruments classified as Level 3 is as follows:

	Private corporation shares	Derivative financial instruments	Investments in venture capital organizations	Total
Balance as at April 1, 2011	11,363	67,312	255,430	334,105
Impairment loss recognized in net income	–	(17,348)	(2,987)	(20,335)
Gain recognized in comprehensive income	2,216			2,216
Settlements	4,255	(15,200)		(10,945)
Acquisitions	6,244	318	49,284	55,846
Disposals	(12,198)	(21,380)	(17,205)	(50,783)
Transfers from Level 2	45,042	–	–	45,042
Balance as at March 31, 2012	**56,922**	**13,702**	**284,522**	**355,146**
Gain (loss) recognized in net income	(1,592)	(9,096)	(8,693)	(19,381)
Gain recognized in comprehensive income	2,792	–	–	2,792
Acquisitions	5,111	3,658	62,913	71,682
Disposals	(5,606)	–	(27,798)	(33,404)
Balance as at March 31, 2013	**57,627**	**8,264**	**310,944**	**376,835**

Losses attributable to the Corporation's Level 3 financial instruments recognized in net income totalled $28,085,000 as at March 31, 2013 ($38,961,000 as at March 31, 2012). An amount of $26,493,000 ($38,961,000 as at March 31, 2012) is reported under Net change in investments at fair value through profit or loss and an amount of $1,592,000 ($0 as at March 31, 2012) under Impairment losses on investments.

No transfers between hierarchy levels took place during the fiscal year. In 2012, an investment in unlisted shares classified as available for sale was transferred from Level 2 to Level 3 as a result of changes in the observability of market data used to establish fair value.

D) SENSITIVITY OF LEVEL 3 ASSETS

i) Private corporation shares

Private corporation shares are primarily sensitive to the discount rate and the multiple of earnings before interest, taxes, depreciation and amortization (EBITDA), and earnings before interest and taxes (EBIT), used in measuring their fair value. The following analysis shows the sensitivity of valuations to reasonable alternative assumptions using unobservable inputs.

	1% increase	1% decrease
Impact on fair value	2,438	(2,757)

ii) Derivative financial instruments

For purposes of measuring the fair value sensitivity of Level 3 financial instruments, a 1% change in the rate would affect fair value as follows:

	1% increase	1% decrease
Impact of change in market price	122	(121)
Impact of change in volatility	164	(163)

iii) Investments in venture capital organizations

Although not usually traded on a stock market, investments in venture capital organizations expose the Corporation to market risk. The fair value of these investments may fluctuate over time due to economic conditions and to the cash flows of businesses in which the Corporation has invested.

Fair value sensitivity was measured using historical changes in fair value.

	3% increase	3% decrease
Impact on fair value	9,328	(9,328)

39. RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

In the normal course of business, the Corporation is exposed to a variety of risks, in particular credit risk, liquidity risk and market risk arising from changes in foreign exchange rates, changes in interest rates and market fluctuations. The strategies, policies and processes used to manage and control risk across the organization help to manage the risk-return trade-off within the limits set by the Corporation.

The Corporation manages these risk exposures on an ongoing basis. To mitigate the impact of exchange rate, interest rate and commodity price fluctuations on its net income and financial position, the Corporation may use derivative financial instruments. The Corporation is responsible for determining acceptable risk levels and uses derivative financial instruments only for purposes of managing its existing or expected risks and commitments or obligations, based on its past experience.

A) CREDIT RISK

Credit risk is the risk that the Corporation could experience a loss as a result of a third party being unable to meet its financial commitments. The Corporation is exposed to credit risk primarily through its lending and financial guarantee operations, its loan and financial guarantee commitments, and its investing activities. The Corporation's main credit risks stem from its cash and cash equivalents, temporary investments, accounts receivable, investments such as ABTNs and certain investments in venture capital organizations, loans and notes receivable from the Government of Québec.

i) Concentration risk

Significant credit concentration risk is the probability of a significant portion of outstanding investments being confined to a subset of the Corporation's portfolio. Such concentration could expose the Corporation to difficulties experienced by a corporate client, an industry, a specific region or a financial product. The Corporation has set up a reporting system to monitor the portfolio's overall profile and determine how investments are distributed by industry. Overall, the investment portfolio is within the maximum limits for credit risk exposure set by the Corporation. Management believes that credit concentration risk does not significantly impact the Corporation.

ii) Maximum exposure to credit risk

The maximum exposure to credit risk, without taking into account any guarantee held or other credit enhancements, was as follows:

	2013	2012
In the Consolidated Statement of Financial Position		
Cash and cash equivalents	**133,573**	234,965
Temporary investments	**533,231**	393,398
Accounts receivable	**86,108**	81,270
Guarantee fees receivable	**30,068**	26,801
Notes receivable from the Government of Québec	**4,028,350**	3,558,290
Loans	**648,536**	573,440
Investments	**523,506**	515,690
Other financial assets	**532**	3,939
	5,983,904	5,387,793
Off-balance sheet		
Guarantees	**414,176**	422,149
Loan commitments – Agreements accepted by clients	**273,724**	229,757
Guarantee commitments – Agreements accepted by clients	**148,296**	178,608
Investment commitment	**203,982**	246,595
	1,040,178	1,077,109
	7,024,082	6,464,902

Cash and cash equivalents

Cash and cash equivalents consist mainly of temporary liquid deposits as well as short-term securities issued or guaranteed by the Government of Canada, Canadian provinces, a Québec municipality or a Canadian financial institution. The maximum credit risk exposure to cash and cash equivalents corresponds to their carrying amount. The Corporation mitigates the credit risk related to these financial instruments by complying with its temporary investment policy, which describes the parameters and limits for credit concentration risk.

Accounts receivable

To reduce its risk related to accounts receivable, the Corporation regularly evaluates the financial positions of its clients and examines each new client's credit history. The Corporation holds no assets as collateral on accounts receivable. Given the diversity of its clients and their business sectors, the Corporation believes that the credit concentration risk for accounts receivable is negligible. It establishes the allowance for doubtful accounts based on the specific credit risk and historical trends of clients. It records an impairment for accounts receivable only if recovery is not reasonably certain.

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The aging of trade accounts receivable as at March 31 is as follows:

	2013	2012
Current	55,851	61,460
1 to 60 days past due	1,011	1,549
61 to 90 days past due	689	600
Over 90 days past due	7,350	5,909
	64,901	69,518
Less the provision for credit losses	6,808	5,660
	58,093	63,858

Changes to the provision for credit losses are as follows:

	2013	2012
Balance, beginning of year	5,660	5,000
Impairment loss recognized in net income	1,148	871
Amounts recovered	–	(211)
Balance, end of year	6,808	5,660

The Corporation does not believe that it is exposed to a significant level of credit risk with respect to its clients. As at March 31, 2013, 37% (21% as at March 31, 2012) of trade accounts receivable were guaranteed by an insurer.

Loans and guarantees

Decisions to grant credit are based mainly on the results of the risk assessment. In addition to the client's credit standing, decisions are based on factors such as available guarantees and whether the transaction is compliant with the Corporation's policies, standards and procedures. Every decision to grant credit stems from different authorities within the Corporation, depending on the size and degree of risk of the credit operation.

Financing operations undergo systematic monitoring, which involves, in particular, obtaining and analyzing the annual financial statements of each company, producing an annual report detailing changes in the situation of each company, periodically reviewing the credit risk rating and updating the value of the collateral in order to determine the provision for losses.

To do so, the Corporation uses a system to rate companies according to the financial risk they represent. The system makes an initial risk assessment and matches pricing to risk level. In addition, it makes it easier to follow up on financing operations and to monitor companies in difficulty. Loans are classified based on client credit risk according to the Corporation's rating system:

	2013	2012
Client credit risk		
Low	228,427	288,560
Medium	373,640	230,190
High	46,469	54,690
Total loans	648,536	573,440

The Corporation holds collateral and suretyships for loans and guarantees such that its maximum exposure to credit risk is as follows:

	2013	2012
Loans	648,536	573,440
Collateral and suretyships	(247,332)	(295,832)
Maximum credit risk exposure	401,204	277,608
Guarantees	414,176	422,149
Collateral and suretyships	(31,676)	(35,286)
Maximum credit risk exposure	382,500	386,863

Investments

The Corporation regularly evaluates its counterparties' credit ratings. It mitigates the credit risk related to these financial instruments by complying with its investment policies, which set the parameters and limits for credit concentration risk.

B) LIQUIDITY RISK

Liquidity risk is associated with the Corporation's ability to obtain the necessary funds to honour its financial commitments. Liquidity risk also stems from difficulties the Corporation might experience in liquidating, where appropriate, certain assets acquired in the normal course of business.

The Corporation prepares cash flow forecasts to ensure that it has the necessary funds to meet its obligations. The Corporation considers that the cash flows generated by operating activities and available sources of financing should be sufficient to meet its obligations as they become due.

Accordingly, the Corporation ensures that the largest cash inflows are matched with cash outflows. It maintains a range of sources of financing, including borrowing agreements with financial institutions.

The following table shows the contractual maturities of the financial liabilities and off-balance-sheet obligations. The amounts shown reflect both principal and interest, where applicable.

						2013
	Under 1 year	1 to 3 years	4 to 5 years	Over 5 years	No fixed maturity	Total
Financial Instruments in the Statement of Financial Position						
Bank overdrafts	3,110	–	–	–	–	3,110
Bank loans	3,126	–	–	–	–	3,126
Accounts payable and accrued liabilities	72,344	–	–	–	–	72,344
Advances from the Government of Québec	415,317	–	–	–	–	415,317
Long-term debt	536,632	1,700,717	2,034,449	3,323	–	4,275,121
Guarantee liability[1]	–	–	–	–	126,627	126,627
Other liabilities	198	121	1,208	–	–	1,527
	1,030,727	1,700,838	2,035,657	3,323	126,627	4,897,172
Off-balance sheet obligations						
Commitments[2]	453,258	154,428	46,787	–	235,095	889,568
Guarantees[1]	–	–	–	–	414,176	414,176
	453,258	154,428	46,787	–	649,271	1,303,744
	1,483,985	1,855,266	2,082,444	3,323	775,898	6,200,916

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					2012	
	Under 1 year	1 to 3 years	4 to 5 years	Over 5 years	No fixed maturity	Total
Financial Instruments in the Statement of Financial Position						
Bank overdrafts	2,448	–	–	–	–	2,448
Bank loans	5,855	–	–	–	–	5,855
Accounts payable and accrued liabilities	84,712	–	–	–	–	84,712
Advances from the Government of Québec	368,817	–	–	–	–	368,817
Long-term debt	677,024	1,399,898	1,723,687	–	4,876	3,805,485
Guarantee liability[1]	–	–	–	–	132,668	132,668
	1,138,856	1,399,898	1,723,687		137,544	4,399,985
Off-balance sheet obligations						
Commitments[2]	254,769	359,151	42,574	10,000	243,339	909,833
Guarantees[1]	–	–	–	–	422,149	422,149
	254,769	359,151	42,574	10,000	665,488	1,331,982
	1,393,625	1,759,049	1,766,261	10,000	803,032	5,731,967

(1) The amounts related to these liabilities and off-balance sheet obligations do not have specific maturities and may be disbursed at any time.

(2) Commitments include $825.2 million in financing and investment, $15.3 million in long-term commitments, $39.8 million in other commitments and a $9.3 million share in the capital commitments of associates.

C) MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates, exchange rates, and stock market and commodity prices will affect the value of the financial instruments held by the Corporation. The objective in managing market risk is to manage market risk exposures and keep them within acceptable parameters while optimizing returns.

i) Market risk assessment

As a result of investments classified as available for sale and of financial assets classified or designated as at fair value through profit or loss, the Corporation is exposed to fluctuations in interest rates, exchange rates and market prices. Market risk is managed through the investment policy, which sets limitations aimed at maximizing portfolio diversification.

To quantify this risk, the Value-at-Risk (VaR) simulation model is a market risk management tool commonly used in the financial industry. VaR is the maximum value of potential losses over a specific time horizon, measured at a set confidence level. The following VaR results simulate potential losses using daily market inputs from the past two years. The confidence level was 99% with a one-day time horizon.

As at March 31, the VaR was:

	2013	2012
Interest rates	**(357)**	(808)
Exchange rates	**(1,266)**	(3,370)
Quoted market prices	**(17,944)**	(14,761)
Diversification[1]	**2,325**	4,322
	(17,242)	(14,617)

(1) Diversification is the difference between the sum of the VaRs of the various market risks and total VaR, given that the three types of risk are not perfectly correlated.

ii) Structural interest rate sensitivity

Changes in interest rates cause fluctuations in the income that is generated by cash and cash equivalents, ABTNs, variable-rate loans and the Corporation's investments as well as in the interest expense on some of its borrowings. The impact of these fluctuations for the Corporation depends on several factors, including differences in the maturity dates or remeasurement dates of Consolidated Statement of Financial Position items and off-balance-sheet items.

The following table shows how an immediate and sustained 100-basis-point increase or decrease in the interest rate, assuming that no further hedging is undertaken, would potentially impact net income. The amounts shown do not include the impact of the provision for losses expense. As at March 31, 2013, net assets exposed to risk totalled $1,151,448,000 ($1,122,405,000 as at March 31, 2012).

Interest rate sensitivity as at March 31

	2013	2012
100-basis-point increase in interest rate		
Impact on net income	12,039	11,381
100-basis-point decrease in interest rate		
Impact on net income	(12,032)	(11,381)

iii) Foreign exchange risk

The Corporation is exposed to foreign exchange risk on its sales, purchases and investments denominated in currencies other than its functional currency, the Canadian dollar, and the functional currency of one of its subsidiaries, the U.S. dollar.

The Corporation's exposure to foreign exchange risk was as follows:

			2013
	CAD	USD	EUR
Financial assets			
Cash and cash equivalents	301	2,455	1,164
Accounts receivable	497	1,758	3
Guarantee fees receivable	–	256	–
Available-for-sale debt securities	–	48,065	–
Loans and receivables	–	246,085	–
Investments at fair value through profit or loss	–	10,390	–
Asset-backed term notes	–	21,479	–
	798	330,488	1,167
Financial liabilities			
Accounts payable and accrued liabilities	1,215	369	35
Long-term debt	5,300	–	–
Other liabilities	9,581	930	–
Net exposure	(15,298)	329,189	1,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended on March 31, 2013 and 2012
(tabular amounts are in thousands of Canadian dollars, unless otherwise indicated)

			2012
	CAD	USD	EUR
Financial assets			
Cash and cash equivalents	205	790	418
Accounts receivable	521	9,254	–
Guarantee fees receivable	–	219	–
Available for sale debt securities		55,054	
Loans and receivables	–	227,108	–
Investments at fair value through profit or loss	–	11,465	
Asset-backed term notes		17,371	–
	726	321,261	418
Financial liabilities			
Accounts payable and accrued liabilities	2,691	214	63
Long-term debt	9,744	–	–
Other liabilities	15,302	842	–
Net exposure	(27,011)	320,205	355

The foreign exchange rate sensitivity is the net amount of foreign exchange rate exposure of the items at the reporting date, less foreign currency hedges. As at March 31, if the Canadian dollar had strengthened or weakened by two standard deviations against the U.S. dollar or the euro, all other variables remaining constant, the impact would have been:

	2013	2012
Increase by two standard deviations in the value of the Canadian dollar		
Impact on net income	**(10,698)**	4,301
Impact on comprehensive income	**(29,530)**	(40,066)
Decrease by two standard deviations in the value of the Canadian dollar		
Impact on net income	**10,693**	(4,301)
Impact on comprehensive income	**29,513**	40,066

The Corporation uses foreign exchange forward contracts to manage its exposure to fluctuating exchange rates related to receipts of dividends in U.S. dollars and euros, interest and principal on loans totalling $117,942,000. As at March 31, 2013, these foreign exchange forward contracts provided for the sale of US$99,680,000 and €11,107,000 (US$179,987,000 as at March 31, 2012). Their maturities ranged from 1 to 53 months at US$/C$ rates of 0.9910 to 1.048 and €/C$ rate of 1.33.

The Corporation designated certain of these foreign exchange forward contracts as cash flow hedging instruments providing for the sale of US$25,517,000, of which US$1,226,000, US$1,226,000, US$1,226,000, US$1,226,000 and US$20,613,000 will be sold during the years ending March 31, 2014, 2015, 2016, 2017 and 2018, respectively. These foreign exchange forward contracts hedge the Corporation's exposure to the impact of exchange rate fluctuations related to interest and capital payments in U.S. dollars of loans totalling $26,762,000. As at March 31, 2013, the fair value of foreign exchange forward contracts designated as cash flow hedges totalled $49,000. No ineffectiveness was recorded in net income relative to these hedging relationships.

40. RELATED PARTIES

The Corporation, which is controlled exclusively by the Government of Québec, is a related party to all the ministries and special funds as well as to all agencies and corporations that are controlled directly or indirectly by the Government of Québec or are subject to either joint control or significant common influence by the Government of Québec. All of these transactions have been accounted for on the same basis as though they had been carried out with unrelated parties.

As at March 31, 2013, a subsidiary of the Corporation recognized an amount of $63,475,000 ($58,073,000 as at March 31, 2012) as revenue from the Government of Québec for managing the Forestry Job Creation Program, the Silvicultural Investment Program, and the Community Adjustment Fund, including an amount receivable of $5,780,000 ($1,331,000 as at March 31, 2012). These amounts, including amounts collected from development agencies totalling $6,915,000 ($6,950,000 as at March 31, 2012), are reported at their net amount in income. Except for transactions disclosed separately in the financial statements, the Corporation did not carry out any other significant transactions with these related parties, either individually or collectively.

A) AMOUNTS RECOVERABLE FROM THE GOVERNMENT OF QUÉBEC

Under the *Act respecting Investissement Québec*, as of April 1, 2011, losses and shortfalls from certain programs that had existed prior to the amalgamation and that were transferred to the Corporation are obligations of the Corporation. At that date, these programs continue to apply to all financial assistance granted under these programs until the assistance expires. Any losses and shortfalls that may result from the financial assistance granted in accordance with these programs are compensated in part by the Government of Québec. Losses and shortfalls were measured at the amalgamation date. This measurement may be revised until March 31, 2016, when the government establishes the Corporation's remuneration. As at March 31, 2013, the amount recoverable from the Government of Québec was $45,059,000 ($64,210,000 as at March 31, 2012).

B) ADVANCES FROM THE GOVERNMENT OF QUÉBEC

Investments of the IQ FIER inc. subsidiary and investments in certain funds are financed by advances from the Minister of Finance and the Economy pursuant to decrees. As at March 31, 2013, the balance of advances totalled $415,317,000 ($368,817,000 as at March 31, 2012). These advances do not bear interest and are repayable on demand.

C) KEY MANAGEMENT PERSONNEL

The Corporation is also related to its key management personnel, who include Board of Director members and senior managers. Their compensation is as follows:

	2013	2012
Short-term employee benefits	3,281	2,625
Other post-employment benefits	1,637	788
	4,918	3,413

The financial information provided in this document has been taken from Investissement Québec's 2012-2013 Annual Report and Sustainable Development Report.

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